SPECIAL ISSUE: BT-KPMG BEST BANKS OF INDIA SURVEY

Business Today

www.businesstoday.in March 25, 2018 I ₹ 100

Banking Mess

HOW TO FIX IT

What the government and the RBI need to do to put the banking industry back on the rails

INDIA TODAY GROUP

Banking on Fintech

Over the past year and a half, the Indian banking system – especially the public sector banking bit – has been in the news for all the wrong reasons. The non-performing assets (NPAs) of many public sector banks (PSBs) have been rising inexorably. At the end of September 2017, the public sector bank NPAs stood at ₹7.34 lakh crore while private sector bank NPAs had touched ₹1.03 lakh crore. As many of the NPAs headed to the National Companies Law Tribunal (NCLT) for resolution under the Insolvency and Bankruptcy Code (IBC), it was apparent that banks would need to take steep haircuts on their loans, and would get back a fraction of what they were owed at the end of the resolution process.

In February this year, the Nirav Modi affair also burst into light after Punjab National Bank complained about fraudulent Letters of Undertaking (LoUs) of $1.77 billion, since raised to $1.97 billion. The exact amount that the bank is going to lose because of Nirav Modi's firms (and the companies run by his uncle Mehul Choksi) is yet to be clear. Since then, a number of other NPA scams have hit the headlines – including the Rotomac NPAs (based on the complaint of Bank of Baroda) and the Simbhaoli Sugar case (based on a complaint by Oriental Bank of Commerce). And more scams seem to be lurking in the balance sheets of many banks, just waiting to be unearthed. Finance Secretary Rajiv Kumar has given the PSBs 15 days for taking pre-emptive action for identifying gaps that allows for scams. The finance ministry is reportedly planning to consolidate overseas branches of PSBs.

These steps are unlikely to be enough. There have been calls for privatisation of all PSBs barring SBI. But the finance minister has already ruled that out as an option. So, the clean-up needs to be done using other means. I think the Reserve Bank of India is already quite a strict regulator, and has prescribed stringent norms for banks. But I think the government, as the majority owner of the PSBs, also needs to understand that it should take drastic steps to clean up the problems. First, it has to look at the entire issue of staffing – from choosing the top management correctly, to giving them enough of a free hand and long tenure to do their job properly, to figuring out how to induct high-quality people at every level – junior, mid and senior – and equally, firing the incompetent ones. Also, once that is done, it needs to protect the bank managements from political pressure.

Meanwhile, this is also our Best Banks special issue where we highlight the stories of the best in the banking system. This year, we have introduced a new category – financial tech. While a number of fintech companies have shot into prominence in the past few years, I believe the journey is only starting. And in the next few years, the entire banking industry will be revolutionised by the march of the fintechs.

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http://www.businesstoday.in

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Vol. 27, No. 6, for the fortnight March 12-25, 2018.
Released on March 12, 2018.

● Editorial Office: India Today Mediaplex, FC 8, Sector 16/A, Film City, Noida-201301; Tel: 0120-4807100; Fax: 0120-4807150 ● Advertising Office (Gurgaon): A1-A2, Enkay Centre, Ground Floor, V.N. Commercial Complex, Udyog Vihar, Phase 5, Gurgaon-122001; Tel: 0124-4948400; Fax: 0124-4030919; Mumbai: 1201, 12th Floor, Tower 2 A, One Indiabulls Centre (Jupiter Mills), S.B. Marg, Lower Parel (West), Mumbai-400013; Tel: 022-66063355; Fax: 022-66063226; Chennai: 5th Floor, Main Building No. 443, Guna Complex, Anna Salai, Teynampet, Chennai-600018; Tel: 044-28478525; Fax: 044-24361942; Bangalore: 202-204 Richmond Towers, 2nd Floor, 12, Richmond Road, Bangalore-560025; Tel: 080-22212448, 080-30374106; Fax: 080-22218335; Kolkata: 52, J.L. Road, 4th floor, Kolkata-700071; Tel: 033-22825398, 033-22827726, 033-22821922; Fax: 033-22827254; Hyderabad: 6-3-885/7/B, Raj Bhawan Road, Somajiguda, Hyderabad-500082; Tel: 040-23401657, 040-23400479; Ahmedabad: 2nd Floor, 2C, Surya Rath Building, Behind White House, Panchwati, Off: C.G. Road, Ahmedabad-380006; Tel: 079-6560393, 079-6560929; Fax: 079-6565293; Kochi: Karakkatt Road, Kochi-682016; Tel: 0484-2377057, 0484-2377058; Fax: 0484-370962 ● Subscriptions: For assistance contact Customer Care, India Today Group, A-61, Sector-57, Noida (U.P.) - 201301; Tel: 0120-2479900 from Delhi & Faridabad; 0120-2479900 (Monday-Friday, 10 am-6 pm) from Rest of India; Toll free no: 1800 1800 100 (from BSNL/ MTNL lines); Fax: 0120-4078080; E-mail: wecarebg@intoday.com
● Sales: General Manager Sales, Living Media India Ltd, B-45, 3rd Floor, Sector-57, Noida (U.P.) - 201301; Tel: 0120-4019500; Fax: 0120-4019664
● Printed & published by Manoj Sharma on behalf of Living Media India Limited. Printed at Thomson Press India Limited, 18-35, Milestone, Delhi-Mathura Road, Faridabad-121007, (Haryana). Published at K-9, Connaught Circus, New Delhi-110 001. Editor: Prosenjit Datta
● *Business Today* does not take responsibility for returning unsolicited publication material. All disputes are subject to the exclusive jurisdiction of competent courts and forums in Delhi/New Delhi only

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25, 2018

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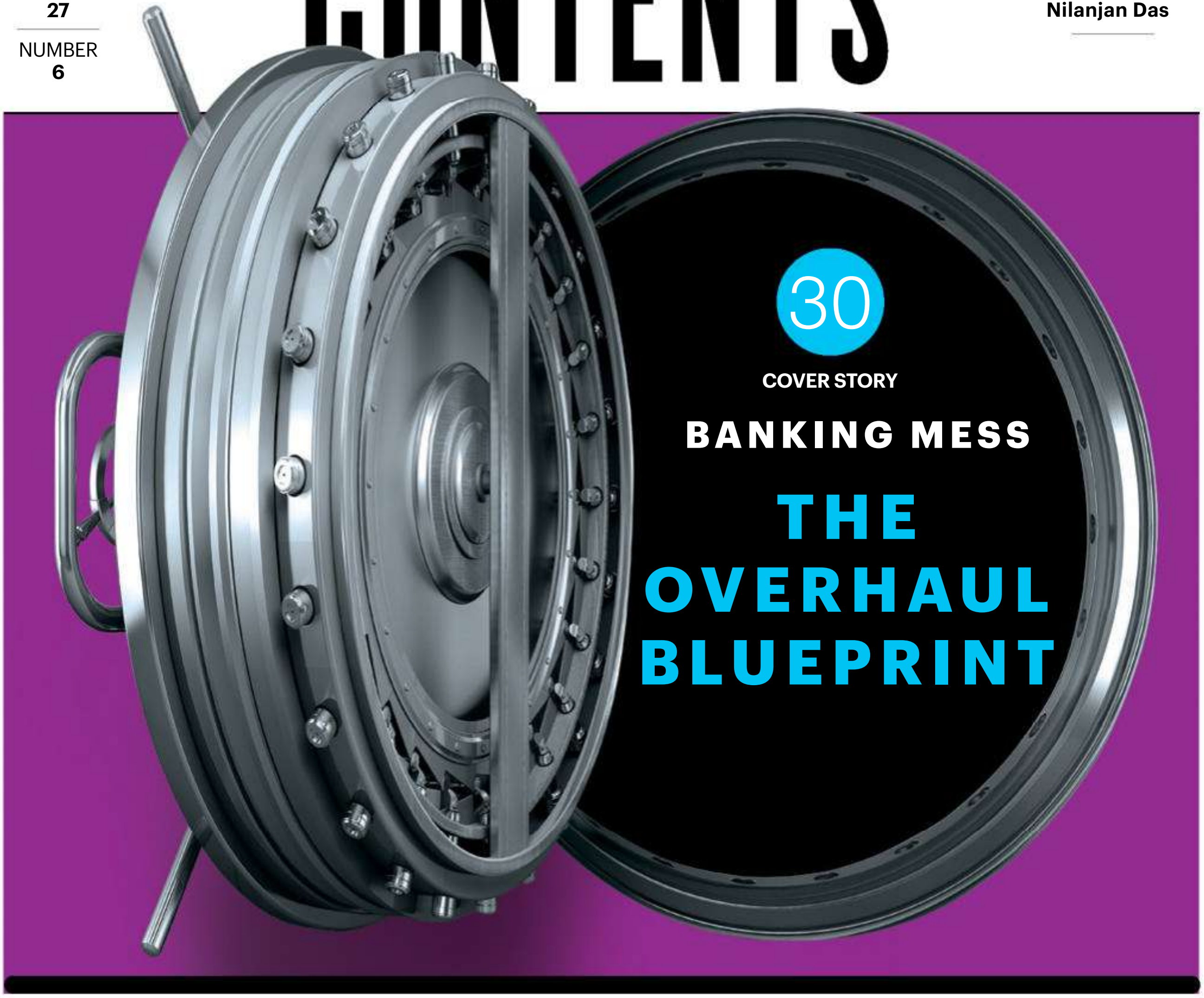

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PNB FRAUD

WHEN HASTE IS WASTE

PNB SEEMS TO HAVE SHOT ITSELF IN THE FOOT WHEN IT WENT TO TOWN DUMPING ALL ITS WOES AT NIRAV MODI'S DOORSTEP.

By RAJEEV DUBEY
ILLUSTRATION BY NILANJAN DAS

Punjab National Bank's haste in announcing the Nirav Modi episode as a $1.77 billion scam—instead of the current outstanding $751 million (₹4887 crore)—may have caused serious collateral damage to itself and the consortia of three dozen banks that did business with Modi and his uncle Mehul Choksi.

By including all the Letters of Undertaking ever issued to Nirav Modi's companies, PNB may have covered its flanks but inadvertently suggested Modi had run away with $1.77 billion (since raised to $1.97 billion). CBI's FIR instead said Modi's outstanding against LoUs is only around half of that - ₹4,887 crore. With that error of judgement, PNB may have risked not just its funds in the hands of Nirav Modi and Mehul Choksi's companies but also that of other banks' outstanding loans to their companies.

Together, Modi and Choksi took another ₹13,147 crore in loans from various consortia of banks that did business with the duo. In its haste to announce nearly all LoUs ever issued (true they would all be classified as fraudulent) totalling $1.97 billion (₹12,800 crore) as the scope of the scam, PNB may have inevitably caused a media frenzy and a hard regulatory and investigative clampdown that has shuttered all the businesses of Modi and Choksi. As a result, PNB may have shot itself in the foot. It has not just jeopardised the current outstanding against the LoUs, but may have pushed the remaining ₹13,147 crore towards NPAs since Modi and Choksi will surely not be able to repay the loans, now that their businesses are shut. Call it 'Haste is Waste'. BT

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TRADE

Refund Delays Hit Exports

DURING THE INITIAL chaos that followed the GST rollout, two sets of people who seemed to be the worst hit were Small and Medium Industries (SMEs) and those into exports. Anecdotal evidence suggested that both sets were hit because of working capital shortage due to delayed refunds.

Now a research done by Saurabh Ghosh, director of Strategic Research Unit (SRU), Shekhar Tomar, Manager Research (SRU) and Sankalp Mathur, Research Associate (SRU) of the Reserve Bank of India (RBI) provides evidence in support of the hypothesis that exports were hit because of working capital shortage. The research has been published as part of the Mint Street Memos of the RBI.

The researchers used sectoral data of exports in the months immediately following the implementation of GST. Their data showed that the sectors with highest working capital/ sales ratio showed the biggest impact when their refunds were delayed. Because of implementation snags in GST, firms were finally supposed to file their GST returns by September 2017 under the last revision. Exporters were supposed to get 90 per cent of their input tax credit refunds within seven days of filing their returns. However, because of snags, their refunds were delayed quite a bit. The most working capital intensive sectors – especially the Gems and Jewellery sector showed the maximum hit in October 2017. In November, however, data showed that exports had registered a significant jump. This was partly because of the low base of November 2016 (demonetisation month) and partly because the government had taken a number of initiatives to help exporters, conclude the researchers. They say that December data also confirms their hypothesis that exports are now on an even keel.

- By Prosenjit Datta

INVESTOR SUMMITS

PROMISES NEED TO BE FULFILLED

In the recently concluded investor summit in Lucknow, Yogi Adityanath-led Uttar Pradesh government has signed ₹4.28 lakh crore worth Memorandum of Understandings (MoUs) – equal to the state's budget for 2018/19. India's business barons promised investments in telecom and IT, manufacturing and infrastructure. The same league had promised huge investments in Maharashtra (₹12.10 lakh crore), West Bengal (₹2.19 lakh crore) and Andhra Pradesh (₹4.39 lakh crore), earlier. The trend of investment summits began when Narendra Modi was Gujarat's CM and promoted 'Vibrant Gujarat' as an opportunity for the business community to garner investment support in a bullish economy where private firms were desperate for locations to start their plants. The result – high net realisation of MoUs at around 60 per cent; that has now fallen to 20-30 per cent in many states. The private sector is also quite pessimistic about new investments, especially when banks show renewed reluctance after rising stressed assets and scams. In many cases, investment promises are just projections based on demand estimates.

- Goutam Das

$500,000,000

THE VALUE OF SHARES SOLD BY FACEBOOK INC. CHIEF EXECUTIVE OFFICER MARK ZUCKERBERG IN FEBRUARY TO FUND HIS PHILANTHROPIC INVESTMENT VEHICLE, THE CHAN ZUCKERBERG INITIATIVE


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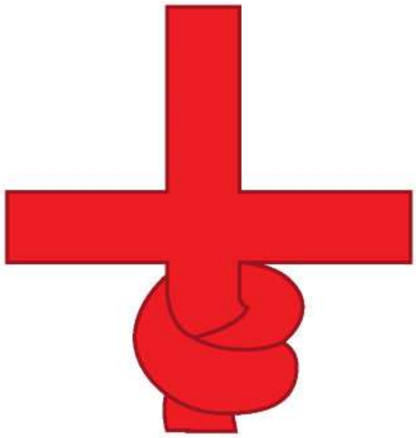
HEALTHCARE

INFLATED HOSPITAL BILLS



FLOODED WITH COMPLAINTS of excess billing, the National Pharmaceutical Pricing Authority (NPPA) analysed the bills generated by four private hospitals in and around Delhi for treatment costs in some specific cases. It found that the hospitals were the major beneficiaries of inflated retail prices of medicines, consumables, devices and diagnostic services. Thus began the renewed call for price caps and regulatory oversight over healthcare bills. Although the NPPA study's sample size was probably too small to generalise its findings, it was sufficient to rekindle the debate on affordable and accessible healthcare. Of course, the government will have to recognise that an overarching price cap alone cannot solve the problem. Price control or not, hospitals will charge at will unless there is enough competition to bring down their charges. **- Joe C. Mathew**

PHARMA

LESSONS LEARNT

THE INDIAN pharmaceutical industry, earlier reeling under the regulatory scanner of the USFDA, is learning from its mistakes. Of the 192 inspections held by the USFDA in 2017, only eight were reported as Official Action Indicated (OAI). These were 10 a year ago (271 inspections), 11 in 2015 out of 272 inspections and 21 out 173 inspections in 2014. In the case of USFDA warning letters for non-US sites, India had only 29 per cent letters of the 49 issued in 2017, a drop from the 39 per cent of 18 letters issued in 2014. While Indian companies were responsible for 30 per cent of import alerts in 2017, Chinese companies were responsible for 50 per cent, said a McKinsey-Indian Pharmaceutical Alliance (IPA) data analysis.
- P.B. Jayakumar

DIALOGUE HELD WITH STATES; NHPS AWAITS CABINET NOD

THE LAUNCH OF THE NATIONAL Health Protection Scheme (NHPS) to cover 10 crore poor and vulnerable families – about 50 crore beneficiaries – had arguably been a high point of Finance Minister Arun Jaitley's Budget speech this year. Concerns were raised about how the government would operationalise it as health is a state subject. Officials in the know have told Business Today that the process is on track. The Health Ministry recently organised a national consultation on the NHPS. Apparently, "all states are on board and want to join. Six working groups have been formed, and most of the guidelines will be emanating from their suggestions." Once the scheme gets Cabinet nod, operational guidelines will be issued. As the scheme is for next year, what will follow is issuing model guidelines and RFPs for tenders in the states. The key point is the central government officials involved are in constant touch with the states. On February 23, a meeting was held with as many as 25 insurance companies that had some "good" suggestions and these "are being considered for incorporation", an official said. They will also be participating whenever the states call for tenders.
- E. Kumar Sharma


VIVAN MEHRA

REAL ESTATE

KRISHNA-SUMITOMO JV TO INVEST $2 BN

JAPAN'S SUMITOMO Corporation and Indian auto component manufacturer Krishna Group announced a 50:50 real estate joint venture. The JV, called Krisumi Corporation, will develop an integrated township in Sector 36A of Gurgaon with an overall investment of $2 billion. Ashok Kapur, Chairman of Krishna, started acquiring the land – about 65 acres – in 2012 directly from farmers. Sumitomo, which brings in project management and technical expertise, has completed 300 large real estate projects globally. The apartments are likely to be priced between ₹1-2.5 crore.

The JV, for starters, hints at green shoots in the sector, battered by demonetisation, enforcement of the Real Estate (Regulation and Development) Act (RERA) and trust deficit in developers. For the first time in many years, residential prices had fallen in the second half of 2017 by a weighted average of 3 per cent across cities versus the year-ago period, property consultant Knight Frank noted. While the sector is not out of the woods yet, a return of buyer confidence is expected in many Indian cities.

Second, RERA seeks to protect homebuyers by mandating developers to deliver projects on time and with quality. Quick delivery implies greater use of technology and fewer unskilled workers. The Indian real estate market is headed to a consolidation phase where large, organised builders with technical expertise could gain market share as smaller ones are kicked out of the system. Krishna has executed 21 JVs in its auto component business so far. Of that, 70 per cent have been with Japanese companies.

- Goutam Das

SALARY

More Money For Key Talent

IN SPITE of remaining conservative with pay hikes, Indian companies have started rewarding top performers handsomely at an average of 15.4 per cent, says Aon India's Salary Increase Survey – an analysis of data across 1000-plus companies from more than 20 industries. It projects overall salary increase for 2018 at 9.4 per cent. Anandorup Ghose, Partner at Aon India Consulting, says India will not see a double-digit pay hike in the next few years. In fact, it is likely to go down further. "Last year, when India was coming out of demonetisation and GST was coming in, the industry projected salary increase at 9.5 per cent. This year, when GDP and inflation are both expected to grow significantly, the salary increase has remained the same," he says.

However, focus on performance is getting sharper each year with top performers now getting an average salary hike of 15.4 per cent. The bell curve is sharpening with a significant drop in the percentage of people with highest ratings, but the number of people rated as low and average performers is rising. It means people with critical skills are in high demand and companies will pay for key talent.

– Sonal Khetarpal

₹ 18,800 CRORE

The price at which RInfra has decided to sell its integrated Mumbai power business to Adani Transmission Ltd. The proceeds could come to the aid of the cash-strapped ADAG Group, which is reeling under heavy debt.


The Oberoi, Mumbai
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The Oberoi, Gurgaon
Starting at Rs. 29,000


The Oberoi, Bengaluru
Starting at Rs. 22,000


The Oberoi Grand, Kolkata
Starting at Rs. 17,000

GRAPHITI

THE GREAT BANK ROBBERY

Indian banks have been grappling with frauds since long. Here is what the numbers tell us.

Graphic By **Nilanjan Das**
Research By **Niti Kiran**

IN BAD STATE

Maharashtra tops in amount (in ₹lakhs) involved in frauds in 2016/17

Maharashtra	2,867
Haryana	1,039
Karnataka	949
Tamil Nadu	661
Delhi	659
Other States	1,922

Frauds involving ₹one lakh and above pertaining to cheque/draft, ATM, debit/credit cards

PUBLIC LOOT

State-owned banks see the most frauds

Public Sector Banks	8,622
Private Sector Banks	4,156

From 2014/15 to 2016/17

19.6%

Increase in volume of frauds in commercial banks and financial institutions over the last five financial years

86%

The proportion of frauds accounted for by loans in 2016/17 in terms of the amount involved

₹16,770

CRORE

Losses from fraud in 2016/17, from ₹9,750 crore in 2011/12

2–3

YEARS

The period for which almost all corporate loan-related frauds are seasoned as NPAs before being reported as fraud

3,433

Total credit card, ATM, debit card & internet banking fraud cases (₹1 lakh & above) reported during the last three years

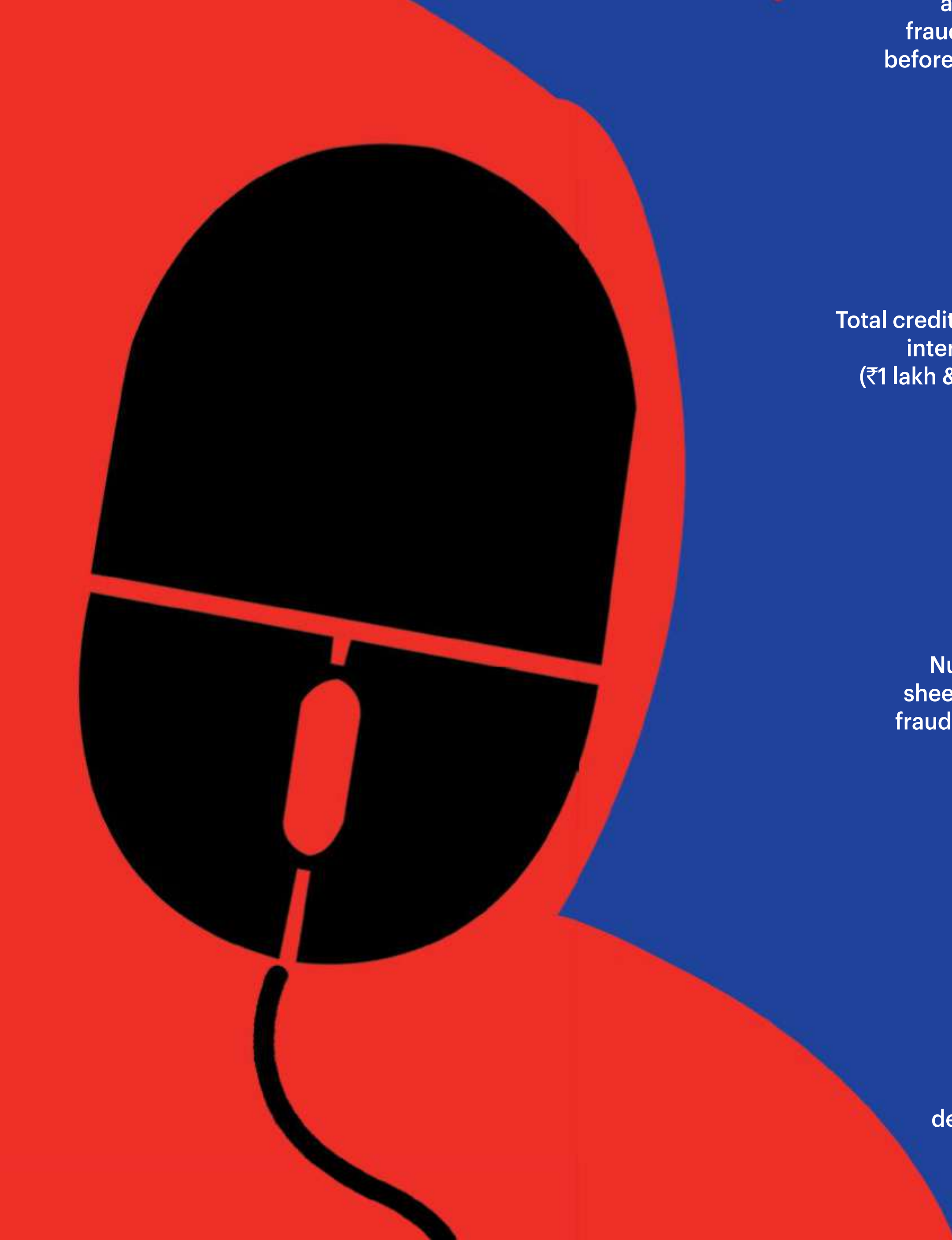
21

Number of people charge-sheeted for credit/debit card fraud between 2014 and 2016

3.2

TIMES

Increase in number of frauds related to ATM, credit/debit card & net banking post demonetisation (Sep 2016 quarter to December 2017 quarter)



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THE STAMP ACT RIDDLE

WHAT: National Seminar on the Indian Stamp Act

WHEN: March 23, New Delhi

WHAT TO LOOK FOR: The NDA government intends reforming the stamp duty regime on financial securities transactions. ASSOCHAM is organising a seminar to discuss and examine various issues relating to the Stamp Duty Act. It aims to invite views and suggestions from stakeholders for consideration by the government.

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JOINING HANDS

WHAT: The Global Industry Associations' Summit

WHEN: March 26, New Delhi

WHAT TO LOOK FOR: If industry associations and umbrella organisations across sectors join forces, it can go a long way in crafting a shared understanding of roles and responsibilities of different development actors. The CII event would attract associations from around the globe across government, industry, institutions and social sectors.

28

FUTURE-READY BROADBAND

WHAT: CII Broadband Summit - 2018

WHEN: March 28, New Delhi

WHAT TO LOOK FOR: The Indian telecom industry is on the cusp of a revolution with several next-generation technologies such as 5G, M2M, IoT and cloud expected to usher in rapid change. It could steer the industry towards the next phase of growth accompanied by deeper broadband penetration. The Broadband Summit will help drive the needed policy interventions.

2-6

FINANCING TRADE

WHAT: ICC Banking Commission Meeting

WHEN: April 2-6, Miami, Florida

WHAT TO LOOK FOR: The meet will gather over 500 banking executives and government officials from more than 65 countries to rethink the future of trade finance. It aims to encourage governments, regulatory bodies and G20 leaders to remove obstacles to trade finance for sustained economic growth and job creation.

12

AGENDA FOR DEFENCE

WHAT: International Conference on Aerospace and Defence

WHEN: April 12, Chennai

WHAT TO LOOK FOR: The basic objective of this year's ASSOCHAM International Conference is to make an attempt to simplify the Defence Procurement Procedure, ensure implementation of the Strategic Partnership Policy and suggest ways to bolster the 'Make in India' programme.

13

THE INFRA DEBATE

WHAT: Financing Infrastructure in Developing Asia

WHEN: April 13, Tokyo, Japan

WHAT TO LOOK FOR: The Asian Development Bank (ADB) estimates that developing Asia will need to invest $1.5 trillion per year in infrastructure through 2030 to maintain its economic growth momentum and tackle poverty. This policy dialogue will gather experts and high-level officials to deepen understanding on infrastructure financing in the region.

GLOBAL BUSINESS

U.S. ECONOMY GROWS 2.5% IN FOURTH QUARTER

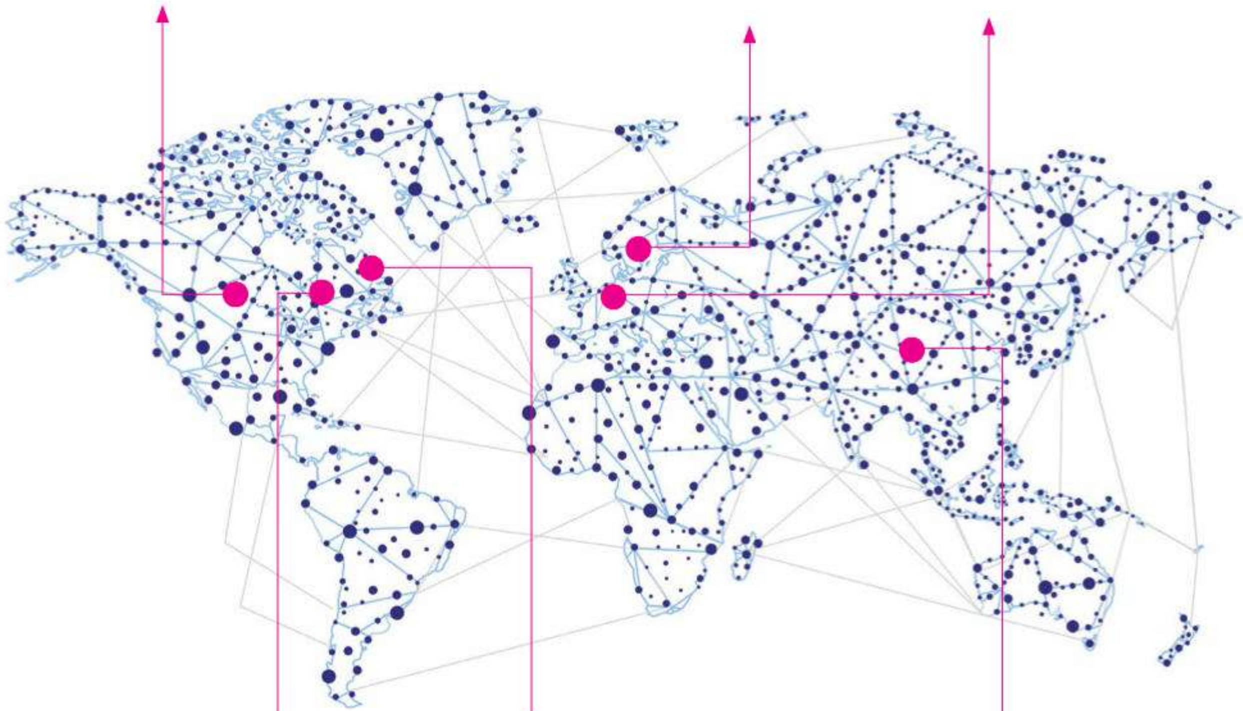
U.S. economic growth for the final three months of 2017 stood at 2.5 per cent, slightly below the 2.6 per cent expected, according to the Commerce Department. For the entire year, GDP rose to 2.3 per cent, a significant jump from 1.5 per cent in 2016. Earlier, economists forecast that it would hit the Trump administration's 3 per cent annual growth target, especially after Fed Chair Jerome Powell's upbeat speech before lawmakers.

SPOTIFY FILES FOR $1 BN IPO

In an unusual move, the Swedish music-streaming giant has decided to go public without any bank underwriters, which allows the market to set the opening share price. The company, with more than 71 million paying subscribers as of Dec 2017, aims to raise up to $1 billion via a direct listing and will trade on the New York Stock Exchange. Its closest competitor is Apple Music with 36 million subscribers.

ACCORHOTELS SELLING UNIT FOR $5.3 BN

Paris-based AccorHotels is selling 55 per cent of its AccorInvest property business for $5.3 billion to a group of sovereign and institutional investors, including Saudia Arabia's PIF and Singapore's GIC sovereign funds, as well as Credit Agricole Assurances, Colony NorthStar and Amundi. The stake sale will help accelerate growth and fight the rising competition.



RING IS AMAZON'S LATEST ACQUISITION

California-based Ring, a Shark Tank-reject start-up that develops smart home security products, including Wi-Fi-enabled video doorbells, has been snapped up by Amazon for over $1 billion. The acquisition gives the e-commerce giant a bunch of convenient tools as it starts home-delivering packages. Ring is compatible with Amazon's Alexa, which can be asked to show the live feed of the exterior via Ring cameras.

APPLE OPENING CHINA DATA CENTRE

In a bid to comply with stringent cybersecurity laws, Apple has announced building its first data centre in China so that users' data will be stored in the country. The new facility in Guizhou is part of a $1 billion investment in the Chinese province. When the data centre opens, Apple's iCloud will operate from an Apple plant run by Guizhou-Cloud Big Data Industry Development Co, a local data management firm.

U.S. IPO FOR BAIDU'S STREAMING UNIT

Beijing-based IQiyi, a video-streaming service owned by Baidu, has filed for an IPO with the U.S. SEC with an offering size of $1.5 billion. IQiyi, whose services are similar to Netflix, has 50.8 million subscribers and plans to list its American Depository Shares on the NASDAQ. In 2017, 21 Chinese firms went public on U.S. exchanges, raising $3.9 billion.

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SOCIAL UNIVERSE

PEER PRESSURE

Why the digital payments space is abuzz with WhatsApp's entry

BY DEVIKA SINGH

Facebook-owned WhatsApp's announcement to enter the digital payments space in India has created a flutter. Several top executives, including Paytm's founder Vijay Shekhar Sharma, took to Twitter to express concerns about the messaging platform's foray into this space. Their apprehensions, though, are not unfounded.

WhatsApp is the most popular instant messaging app in the country with over 200 million monthly active users. Undoubtedly, its entry in the digital payments space would offer users a very convenient option to transact online. Paytm claims to have around 280 million users in the country, but it is not clear how many of them are active.

According to a recent Credit Suisse report on the digital payments space in India, Google's Tez accounts for 53 per cent of UPI transactions in India, Paytm for 23 per cent, PhonePe 15 per cent, government's BHIM app 6 per cent and others have 4 per cent of the share.

WhatsApp's arrival is definitely going to cause a disruption in this space.

Sachin Seth, Partner - Financial Advisory Services, EY India, says that digital literacy is far higher than financial literacy in India. "People using messaging apps are far more in number compared to those using mobile banking, UPI or other payments apps. Those at the bottom of the pyramid are very comfortable using them. The option of payment within the app is, obviously, even more convenient for money transfer."

DIGITAL PAYMENTS SPACE IN INDIA EXPECTED TO REACH $1 TRILLION BY FY 2023

Experts believe there is enough scope for multiple players. The Credit Suisse report pegs the digital payments space in India currently at $200 billion and predicts that it would reach $1 trillion by financial year 2023, led by growth in mobile payments.

"In payments apps, the use case is not just money transfer but also e-commerce and other utilities; they can build a niche for themselves here," says Seth.

Hemant Jhajharia, Partner, PwC India, cites the example of WeChat and Alipay in China. "When WeChat got into payments in China, it took over the already present online payment platform in a very short time. While WeChat focussed on peer-to-peer transfers, Alipay started concentrating on business transactions," he says. Today, while WeChat leads in user numbers, Alipay commands larger transaction amount.

"The market is still evolving and the recent launch of UPI payments by big platforms is likely to change the market dynamics and potentially reshape it," says Pathik Shah, VP Product at Hike, which was the first messaging app in India to launch UPI payments. Easy social payments is its differentiating factor. "We have fun features that integrate payments within groups – like Bill Split, Group Payments, etc. We enable extremely easy and small-size micro-payments between people on the platform," Shah adds. BT

@devikasingh29

THE NUMBER OF INTERNET USERS IN THE COUNTRY IS EXPECTED TO REACH 500 MILLION BY JUNE 2018, ACCORDING TO THE IMAI-KANTAR IMRB SURVEY

ON LOCATION

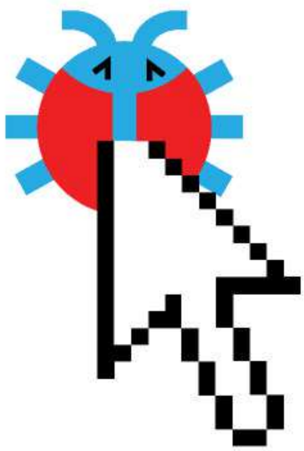
YouTube has added a feature that allows users to tag their location when uploading or streaming videos live. This also means users can view videos based on locations chosen. The feature is already available on other live streaming platforms such as Facebook, Periscope and Instagram. YouTube now allows viewing live comments after the live streaming has ended and automatic captioning.

CALLS MADE EASY

FACEBOOK Messenger has added a shortcut to make group calls and video calls easier on its platform. Now, a user does not have to hang up from a current call to add more friends to the call. To start a group call, just tap on the 'add person' icon on the messenger screen and select the friends to be added to the voice or video call. The new feature is available on both iOS and Android versions of the app across the world.

SPAM CHECK

In an attempt to make its platform spam-free, Twitter has introduced measures that prohibit third party apps, bots and its own dashboard application Tweetdeck from mass tweeting, liking and following posts. The company also prohibits users from posting identical or substantially similar content to multiple accounts and simultaneously performing actions such as liking, retweeting or following from multiple accounts.



86% INTERNET USERS IN URBAN INDIA

ACCESS IT FOR ONLINE COMMUNICATION, 85% FOR ENTERTAINMENT, 70% FOR SOCIAL NETWORKING, THE ABOVE SURVEY REVEALS

START-UP

SCRIPBOX MAKING MONEY GROW

THE BENGALURU-BASED INVESTMENT SERVICES PLATFORM HELPS USERS CHOOSE THE BEST-PERFORMING MUTUAL FUNDS.

By Devika Singh

Scripbox co-founders Sanjiv Singhal (left) and Ashok Kumar E.R.

PHOTOGRAPH BY SUDHIR DAMERLA

1) The Founders
Ashok Kumar E.R., an IIM-Kozhikode alumnus, was helping his brother with investments when he realised people in India mostly stick to traditional financial instruments. So, he teamed up with Sanjiv Singhal, an IIM-Bangalore alumnus with more than 25 years of experience in finance and technology, and founded Scripbox.

2) The Idea
The founders realised that most working professionals in India go for traditional investment options such as gold and real estate or put their money in fixed deposit schemes as they do not have easy access to investment advice. The duo decided to address this pain point and developed an algorithm that looks at the performance of mutual funds over the years and advises users on investment. The algorithm narrows down 8,000-plus mutual funds to 10 and puts them under four categories – long-term, short-term, tax-saving and any-time cash. Scripbox charges mutual fund houses a small fee, around 0.1-1 per cent of the capital invested through them.

3) Backers
The start-up has raised ₹100 crore to date from Accel Partners, Omidyar Network and a clutch of angel investors. Accel invested in series A and B funding rounds, but Omidyar only invested in series B funding.

4) Growth
Scripbox currently manages assets worth ₹600 crore-plus for more than 3.5 lakh subscribers. According to a filing with the Ministry of Corporate Affairs, the company's revenues stood at ₹1.3 crore in FY2015/16, and it incurred losses of ₹11.3 crore in that period.

KEY NUMBERS

FOUNDED IN
2012

SUBSCRIBERS
3.5 lakh

TOTAL ASSETS UNDER MANAGEMENT
₹600 crore

EMPLOYEES
100

5) Challenges
According to Ashok Kumar, fixed deposit schemes are the biggest competitors as most people still prefer to play it safe and put their money in these schemes. Also, competition has got tougher as quite a few players such as Groww, Upwardly and RupeeVest have entered this space. BT

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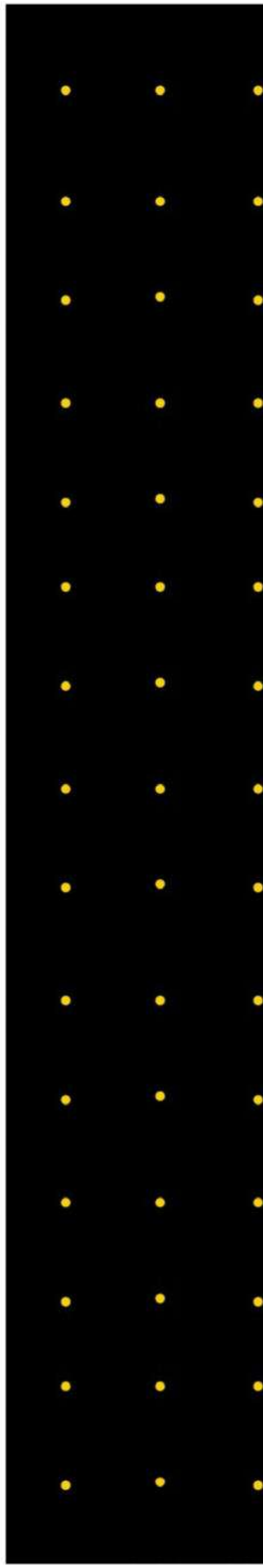
COVER STORY

THE OVERHAUL BLUEPRINT

Steps that government, regulators and banks need to take to make the banking system more competitive, efficient and less fraud-prone.



BY ANAND ADHIKARI
ILLUSTRATION BY NILANJAN DAS

STATE BANK OF INDIA (SBI), *the country's largest bank with assets of close to ₹27 lakh crore , is more than three times the size of the second largest bank, HDFC Bank. This shows a very skewed banking system.*

The market capitalisation of HDFC Bank, at ₹4.95 lakh crore is almost equal to that of all the public sector banks (PSBs) put together, including SBI. This raises a serious issue of capital efficiency and performance of PSBs.

The take home package of a private bank CEO is anywhere between ₹6 crore to ₹12 crore annually. Its multiple times the package of PSB honchos of equal size or bigger. The uneven compensation package acts as a disincentive for PSB staffers.

Such puzzling statistics from the Indian banking industry are endless, raising questions which defy easy answers. Indeed, domestic banks – particularly the PSBs – have made news for all the wrong reasons recently. NPAs, poor credit standards, bad governance, excessive interference from the political class, etc.

The massive scam at Punjab National Bank by diamantaire Nirav Modi has put the spotlight once again on banks. Coming close on the heels of the Vijay Mallya episode, it showed how the system could be abused with impunity. Worse, these are not stray examples. Government records show that there were as many as 8,622 frauds at PSBs in two years – between 2014/15 and 2016/17 – often in collusion with staffers. And, surprisingly, private sector banks too have been at the receiving end – they had over 4,000 frauds in the same period.

Still, the private sector has not been in a mess like the PSBs in terms of asset quality. Some analysts criticise them for focusing more on the lucrative working capital and short duration term loans in corporate banking, staying away from long term project loans and core sectors.

Meanwhile, both PSBs and the private sector grapple with ownership issues. While government ownership has hamstrung PSBs, several private sector banks are foreign owned. Uday Kotak, Vice Chairman of Kotak Bank, recently asserted that four out of five private banks are majority owned by foreign investors. In addition, foreign banks, which have been given the freedom to set up subsidiaries in India, have shown no interest in converting from the current branch based model.

Clearly, there is lot that needs to be fixed to have a strong, efficient and a safer banking system. We take a closer look at what needs to be done to set the house in order.

THE TO-DO LIST

1 Reduce the burden of funding companies by creating new sources of raising capital; for instance, bond markets need to be made more vibrant

2 Address governance issues

3 End CEO musical chairs at government banks

4 Reform human resources practices

5 Fill cracks in risk management architecture

6 Adopt technology, encourage collaboration with fintech players

7 Push the Financial Resolution Bill for bankruptcy situations

Rewrite Banking Laws

The dated banking laws are actually burdening the banks. Former RBI Governor Y. V. Reddy recently talked about reducing the statutory liquidity ratio from 20 per cent to global levels as soon as possible. "We cannot have a globally competitive economy with an over-burdened banking system," said Reddy. The government has to create new avenues for its borrowing programme rather than burdening banks. The mandatory priority sector requirement of 40 per cent of net advances should also be reduced as an alternative institutional framework has opened up with Small Finance Banks and MFIs. Many question the government's aggressive push for low ticket Mudra loans and also Jan Dhan accounts. Some analysts feel the sheer scale of the agenda is a problem (30 crore Jan Dhan accounts and ₹4.6 lakh crore under Mudra in just three years). It upsets the banking system that runs on commercial terms, points out a banker. "The banking system is look upon by the owners as an instrument of social and economic change, which was

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"TODAY THE BANKING SYSTEM HAS BEEN OVERBURDENED BY THE SOCIAL AGENDA"

A.K. Khandelwal,
Member, Banks Board Bureau, and Former CMD, Bank of Baroda

a very good thought post nationalisation. But today it has been overburdened by the social agenda. Different governments have contributed to it," says Anil Khandelwal, Member of Banks Board Bureau.

Address Structural Issues

The uneven size of the banking players is also an issue. Today, SBI owns almost 25 per cent of the banking assets. There are only three large private sector banks. "The big boys crush everybody else. For example, HDFC Bank has elbowed out competition in the car loan business. Nobody dares to enter this segment," complains the CEO of a small bank. PSBs are already lagging behind in all aspects, from products to technology. Amit Kumar, Partner and Director at Boston Consulting Group, says there is no level playing field between PSBs and private players. "An investment holding company structure for PSBs makes sense. The one down subsidiaries (the PSBs) will have more flexibility. This will actually create flexibility on external talent augmenting internal talent, access to best technology and vendors," suggests Kumar of BCG. Khandelwal suggests that some of the perennially non performing PSBs should be put on notice now. There are calls for complete privatisation by some but there is also a strong case for PSBs as they inspire confidence amongst a large number of people in the semi-urban and rural areas. Many suggest consolidation is the answer based on market forces. "A merger works only if you are willing to make structural changes. In addition, you need a sharper focus on customer segments as well as product segment," says Kumar of BCG. There is also a case for creating niche PSB players based on geography or products like an SME bank or a retail bank. But any merger should be market driven where the boards of the two banks take a call based on the synergies, business fit and also cultural integration.

Reduce Funding Burden On Banks

The government and the Reserve Bank of India have to fix the issue of heavy reliance on the banking sector for credit. The burden automatically falls on the PSBs, which are largely corporate banks by choice. Private banks are cherry picking less risky working capital loans and short duration term loans.

The private banks are efficient but have a minuscule 15 per cent share in deposits and advances. It's just not big enough to meet the economy's credit needs especially in the core and infrastructure sectors. The Union Budget has a novel idea of mandatory bond raising by corporates to meet at least a quarter of their funding requirements. "The bond issuance means more disclosures and also public scrutiny of data by external agencies and researchers. This will bring in more checks and balances," says Rajesh Mokashi, MD & CEO of Care Ratings. Such a framework for borrowing also means lesser chance of a fraud or a scam. The new Insolvency and Bankruptcy Code (IBC) should also be strengthened for boosting the bond market. "IBC will now facilitate investor interest even in lower rated issuers (such as single A or even BBB rated paper) to approach the bond market. The investor comfort in the lower rated bond increases as the code allows filing of bankruptcy by even small creditors with minimum of ₹1 lakh default," says Mokashi. IBC is seen by many as a step towards boosting the bond market in the longer run.

The government should also be encouraging mutual fund and insurance players as they are gradually emerging as big players in the bond market. For instance, post demonetisation, mutual funds were flush with funds and aggressively subscribed to bond issuances.

₹76

LAKH CRORE
BANK FUNDING (OUTSTANDING) TO CORPORATES

₹24.5

LAKH CRORE
THE AMOUNT RAISED BY CORPORATES (OUTSTANDING) THROUGH BONDS

Source /RBI, SEBI

Address PSB Governance Issues

"The fish rots from the head down," says a former chairman of a PSB. There are structural weaknesses in the corporate governance structures of PSBs. The government has taken one

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good step of splitting the post of Chairman and Managing Director. But a lot needs to be done. "First task is to improve and reform the boards. We should have board members from areas like risk management, technology, human resources, strategic management, accounting," says Khandelwal. There are actually a large number of bank CEOs and former RBI Governors and Deputy Governors whose services should be used by the banks. There is an urgent need for an investment holding concept for PSBs for overseeing appointments, capital requirement, etc. The Banks Board Bureau (BBB) was a precursor for setting up an investment holding company but that is now not in sight. In fact, the future of BBB looks uncertain. It was set up three years ago under Vinod Rai, former Comptroller & Auditor General, and was tasked with the selection of CEOs for PSBs. Despite BBB's recommendations coming on time, there have been delays in announcing successors.

End CEO Musical Chairs

There is a policy of shifting senior professional of PSBs (above general manager level) to another bank on promotion as executive directors (EDs) or CEOs. SBI, the country's largest bank, is the only PSB where the chairman comes from within. For example, Union Bank of India's CEO &MD Raj Kiran Rai is from the Oriental Bank of Commerce. Two of the executive directors too are outsiders – Vinod Kathuria is from Punjab National Bank and Atul Kumar Goel is from Allahabad Bank. Many suggest that the EDs, MD and CEO should come from the bank as they know the bank well. Since the tenures at the top are short, it is very difficult for outsiders to get a hang of the issues and make an impact. "People should be groomed right from the manager level," says a PSB board member.

"WE DON'T HAVE A LEVEL-PLAYING FIELD BETWEEN PUBLIC SECTOR AND PRIVATE BANKS"

Amit Kumar,
Partner & Director, BCG

The Need For HR Reforms

There is a need for training and re-skilling given the digital transformation in banking globally. The current performance management system of PSBs is completely defunct. There is a need for building specialisation in banking right from the entry level. Today, banks need specialists in risk management, treasury, credit, technology, etc. with decades of experience. Private banks are increasingly hiring people from engineering colleges. The old system of rotation or transfer on promotion at PSBs just won't work. These initiatives should be driven by the board and the CEOs. SBI recently took the lead and set 90 per cent of its workforce a target. Earlier only 37 per cent of the supervisory roles had targets. This was the biggest transformation for the bank two years ago. A good HR system will create quicker decision making, build specialisation and encourage meritocracy. "In most banks, HR is still about postings, transfers and promotions and developmental strategy has been a missing gap," says Khandelwal, who headed a committee on HR issues of PSBs in the past. Most of the current problems are an outcome of poor planning and attention to critical functions. "Each bank has to work out a five year human capital adequacy plan," says Khandelwal.

SHACKLED

SLR requirement of
20%
of total deposits

Priority sector advances mandated at
40%
of net advances

Rising targets for Mudra loans

Push for Jan Dhan accounts, where the cost factor is to banks' disadvantage

Merger calls taken by the RBI

Repair Risk Management

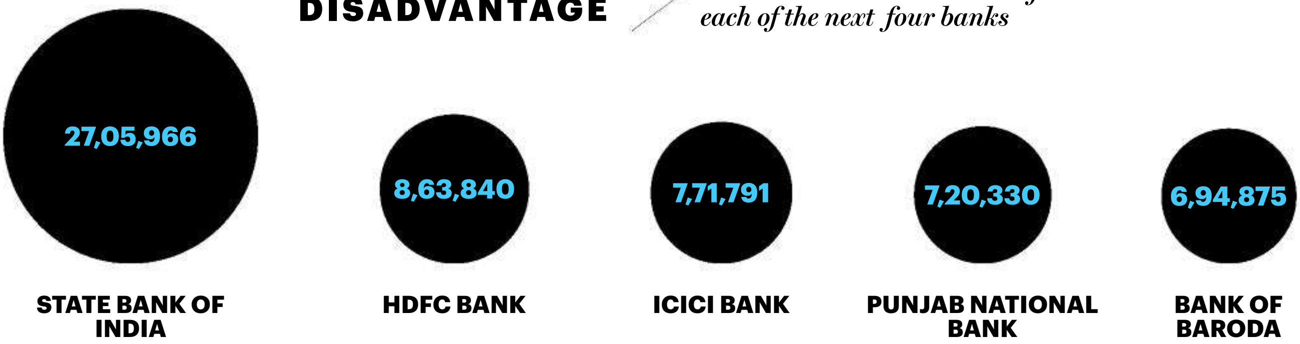
The Kingfisher and Punjab National Bank scams show that the whole approach of government or the regulator to risk management is 'event led' than being 'process led'. "We have seen technology related issues over the last 12-18 months where customer data has been compromised. It shows that bad loans in financial services is part of a bigger problem. It is equally a reflection of our casual approach to risk management," says Tarun Bhatia, MD at Kroll, a global risk consultancy.

Manish Sinha, MD, Dun & Bradstreet, says that banks have to access every bit of data that is available in the market. "They should be culturally tuned to absorb it. They have to build multiple lines of defence from business, finance, HR, compliance and internal audit to protect themselves," says Sinha.

For credit risk, the management needs to build safeguards to continuously monitor the client. For example, ICICI Bank has a crawler engine, which searches the web for information about their corporate banking client. This information goes straight to the relationship manager to act. The direct outcome of a weak credit system is the instances of fraud. The auditors of Nirav Modi's Firestar International had raised concerns two years ago over the

THE SIZE DISADVANTAGE

The biggest bank is more than three times the size of each of the next four banks



TOTAL ASSETS (₹CRORE)
LARGEST BANKS

inadequate internal control systems in both the parent company as well as in subsidiaries. It went unnoticed.

Adopt Technology

Fintechs and differentiated banking models like payments bank and small finance banks are already out to erode the business of banks. Banking is no longer a restricted area. The bank licenses are now available on tap. The future disruption will come from fintechs where the banks and their boards have to apply their minds.

There is also a new wave of financial services aggregators in the market. For instance, an Ola or an Uber kind of a business model where a fintech aggregates the financial products (personal loan, card loan or a credit card) of almost all the players across banks, mutual funds and insurance companies. PSBs should utilise that model by tying up with these online aggregators as a distributor of their products. It will enable them to reach out to young customers. In an aggregator kind of a model, the most efficient banks would survive. The key would be competition in the market in terms of interest rate – it directly depends upon the cost of funds, operational costs, risks and margin. The banks have to be well entrenched to raise low cost deposits especially CASA (current account and savings account), use digitisation to reduce costs or make use of fintechs to save costs, manage risk better as there are huge compliance costs and also protect its margin.

Need For FRDI

The government is already moving ahead with the Financial Resolution and Deposit Insurance Bill (FRDI) Bill to deal with the bankruptcy of financial institutions. Today, banks are exposed to all kind of risks from cyber security attacks to operational and reputational risks. The compliance costs are going to be very high as regulators are imposing high penalties for any regulatory misstep. Given the government finances, banks have to manage their house or get restructured under the FRDI. The global financial meltdown has already demonstrated the pitfalls for banks. A banking crisis puts the burden on the government.

Overhaul The Government System

In a fast changing and complex banking system, the government, or the Ministry of Finance, also has to pull up its socks. "This is a time that a certain degree of specialisation for banking is required even within the Ministry Of Finance. Continuity of Secretary of Department of Financial Services (DFS) is required. Their tenures are also short," says Khandelwal. "The organisational structure of DFS has to undergo change. They need specialists in areas like risk, HR, technology, etc." adds Khandelwal. Also, there is an issue of government directors not being able to give time to the boards. Many board positions lie vacant for months together. Many CEO posts too are not filled quickly because of the delay by the government. For instance, the post of Deputy Governor at the Reserve Bank of India has been vacant since the retirement of S. S. Mundra in July last year.

The need of the hour, then, is to build a strong banking system. It's important that lessons are learnt from the failures of the past. BT

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"BANKS HAVE TO BUILD MULTIPLE LINES OF DEFENCE FROM BUSINESS, FINANCE TO INTERNAL AUDIT"

Manish Sinha,
MD, Dun & Bradstreet

17 of the top 20

global banks achieve **high-impact business outcomes** through enhanced analytics, operationalized at scale

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Grow revenue

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Improve efficiency

Large European bank **identified $28M NPV** by improving the home loan application process across research, sales, and application phases.

Address Financial Crime

Large European bank **reduced fraud by $10m+/month**, after a 6-month artificial intelligence engagement.

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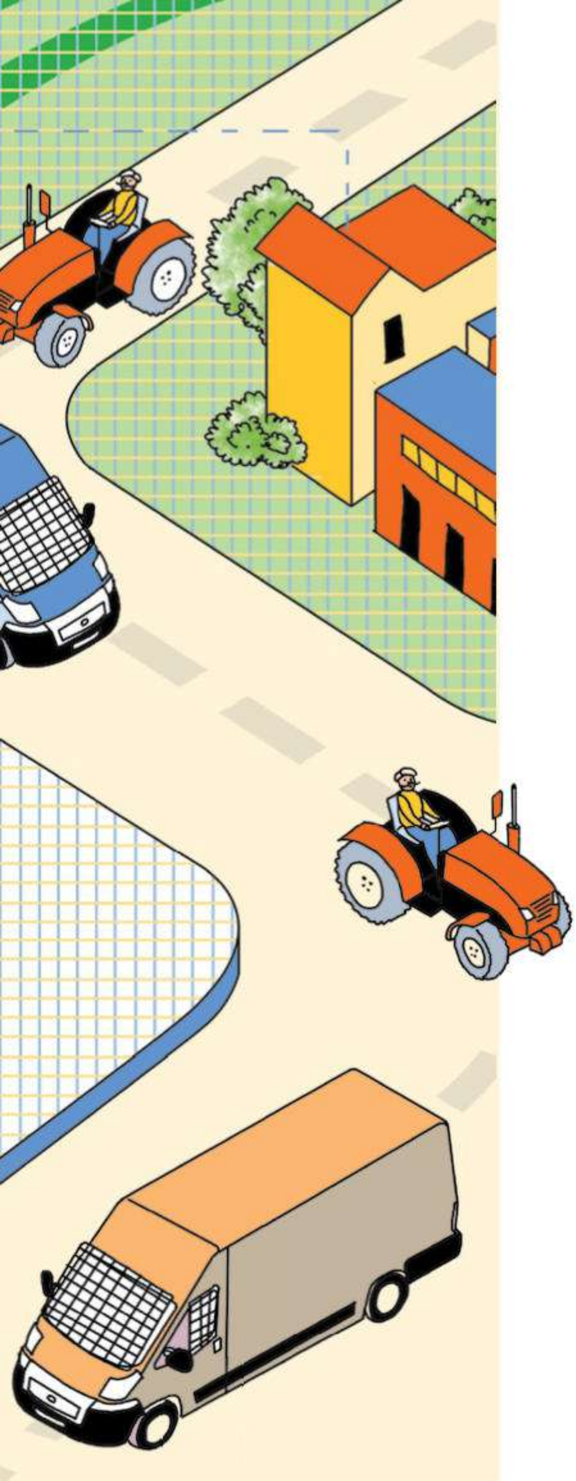
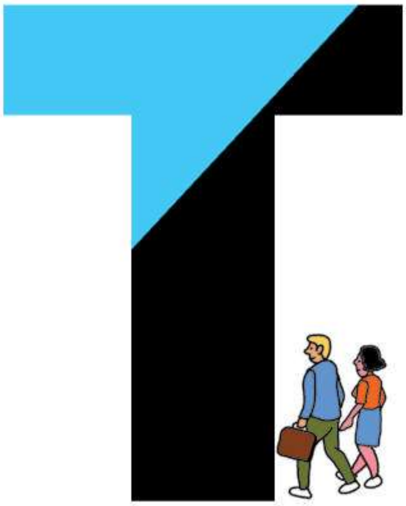
NEW FRONTIERS

The latest edition of the Business Today-KPMG Best Bank Awards celebrates financial services players that are well ahead of the curve.



BY ANAND ADHIKARI
ILLUSTRATION BY RAJ VERMA



The ₹141 lakh crore Indian banking industry has been in the public glare for all the wrong reasons, but it is not all gloom and doom. While instances of fraud, deteriorating asset quality, lower credit offtake, challenges on the bankruptcy code are hogging the limelight, there is excitement on the future of banking. Bankers are already laying the foundation for building retail businesses like micro loans, affordable housing and consumer durable financing.

The digitisation journey is in full swing in the private banking space. Realising the needs of upwardly mobile customers, banks are rebuilding IT models, collaborating with fintech companies for innovative solutions and using data analytics for cross selling. They are also using AI and software robotics to shift repetitive jobs to machines and testing tools like blockchain for future banking. The results are visible – the turnaround time for getting personal loans and credit cards has been reduced to a few seconds. People can now open an account with a bank in the middle of the night through e-KYC.

This time, the BT–KPMG Study is also celebrating the best in fintech. Successful companies in payments, lending and value-added services are making banks' job easier. There is also a rural and semi-urban piece where 60 per cent of the population resides and where the next battle for banks will be fought. Finally, consolidation has also begun in the sector. There will be more action in the space; only the fittest would survive. BT

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BEST BANK JURY AWARDS

Bank of The Year
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HDFC BANK

Best In Financial Inclusion
STATE BANK OF INDIA

Best Fintech Engagement
ICICI BANK

BEST FINTECH JURY AWARDS

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PAYTM

Best Fintech – Lending
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Winners selected by a panel of jury members

BEST BANKS QUANTITATIVE WINNERS (OVERALL)

Best Large Bank
HDFC BANK

Best Mid-Sized Bank
KOTAK MAHINDRA

Best Small Bank
RBL BANK

Best Foreign Bank
BANK OF AMERICA

FASTEST GROWING BANKS

Fastest Growing Large Bank
HDFC BANK

Fastest Growing Mid-Sized Bank
YES BANK

Fastest Growing Small Bank
DHANLAXMI BANK

Fastest Growing Foreign Bank
BANK OF AMERICA

Winners based on BT-KPMG Study

THE BANKING OUTLIER

HDFC Bank is deepening the digitisation push even as it exploits the 'Bharat' opportunity cautiously and profitably.

BY ANAND ADHIKARI
PHOTOGRAPH BY RACHIT GOSWAMI

The state of the Indian banking industry is somewhat sombre. Credit growth has been languishing in single digits over the past few years. A majority of banks, including private sector ones, are saddled with stressed assets. The ₹141 lakh crore industry is falling back on a single growth engine – retail banking. But the mood at HDFC Bank headquarters in central Mumbai is distinctly upbeat. The bank is certainly in a sweet spot with both retail and corporate engines firing. "Our good time is not dependent upon somebody else's problem," says Aditya Puri, MD & CEO of the bank since its inception in the early 90s.

The good times of the bank are a con-

ADITYA PURI
MD & CEO
HDFC BANK

quence of a conscious strategy to ensure 'growth with profitability', focusing on digitisation and also expanding in semi-urban and rural India where 60 per cent of the population resides. Even in the best of times, the bank never chased growth, avoided risks and deployed capital judiciously. The bank's business model was first tested post the global financial meltdown when many banks faced headwinds because of the focus on retail, especially unsecured segments like credit cards and small ticket size personal loans. Then, in the last four-five years, the industry saw a deterioration in the corporate loan book built during the last decade, especially in the commodity sectors like steel and infrastructure. But even in these challenging times for Indian banking, HDFC Bank grew its revenues, net profits and balance sheet consistently. There is now an opportunity for the bank to pick and choose corporate as well as retail businesses with the public sector banks (PSBs) set to lose market share because of their own balance sheet issues. "We are not even trying to grow beyond a certain level because then you get adverse selection," says a cautious Puri.

HDFC BANK VS OTHER BANKS

A comparison of the top four big banks, shortlisted on the basis of quality of assets, productivity/efficiency, quality of earnings and capital adequacy

	HDFC BANK	SBI	ICICI BANK	BANK OF BARODA
TOTAL ASSETS	8,63,840	27,05,966	7,71,791	6,94,875
CAPITAL ADEQUACY (%)	14.55	13.11	17.39	12.24
NET NPAs (%)	0.33	3.71	5.43	4.72

Total assets in ₹ crore

Figures for 2016/17 Source: BT-KPMG Study

The bank that has amassed a balance sheet size of close to ₹10 lakh crore, in a little over two decades, has a clear roadmap for growing its business. It has stolen a march over ICICI Bank, another private sector giant, that has a balance sheet size of ₹8.13 lakh crore. "If the balance sheet coming our way is based on growth and our credit standards, also maintains our margins and leads to substitution of money lenders in the rural and semi urban areas, it is good for us and also good for the country," says Puri.

In the Business Today–KPMG study, the bank has shown an all round growth on almost all parameters – growth, size and strength. It has emerged as the "Bank of The Year" and is also the fastest growing bank. But Puri says the bank is not in the business of being the largest. "We are also not in the business of being the fastest. We are in the business of doing business within the defined parameters of risk and return and incidentally, if we become the largest and the fastest, that's Gods grace," says Puri.

Under corporate banking, HDFC is focused more on the lucrative working capital and short term loans and officials of public sector banks (PSBs) assert that the bank stays away from long term project loans and also core sectors. The bank, however, has a strategy in place to gradually grow its corporate book. It's now eyeing business from the formalisation of the economy post GST. There will be a gradual shift, especially amongst the mid corporate and SMEs, to the organised sector. In fact, there is a huge opportunity to wean away the customers of PSBs. The private bank has a huge line of products, especially in the advisory space, to service them.

Puri is already seeing green shots in the economy. "The temporary disruption through demonetisation and GST is now behind us. People are seeing a return to normalcy. That will require automatic increase in working capital. There are sectors like cement, two wheelers, FMCG, steel, etc. that are seeing more than green shoots." He, however, adds a line of caution: "Full scale private investment may take time."

The bank's retail engine, which constitutes close to-half of its lending, has been clocking robust growth. Unlike other banks that have mortgages as the biggest chunk of their portfolio, HDFC Bank does the home loans for its parent HDFC for a fee. Auto and personal loans are the biggest segments for HDFC Bank. Business banking, too, contributes a large share. The bank has been very success-


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PHOTOGRAPH BY ASHESH SHAH

"THE BANK IS AVAILABLE ON MULTI CHANNELS FROM MOBILES, DESKTOPS TO BRANCHES"

Nitin Chugh
Digital Banking Head, HDFC Bank

ful in cross selling loans to existing customers. In fact, the bank started offering personal loans and credit card to its dependable customers first. But there are challenges too in the retail segment. Most of the much sought after products like home loans, credit cards and personal loans are becoming a commodity where margins will come under pressure because of the huge competition. Many banks are already exploring new areas like consumer durables, affordable housing, micro loans, etc. HDFC Bank too is also building its consumer durable business. "This is the business that will keep growing. The aspirational needs of future India will be for consumer durables and for setting up small businesses," says Puri.

Analysts point out that the bank's unsecured loans are also growing at a fast pace – today they are about 16 per cent of the bank's total book. Currently, the bank's unsecured loans are mostly to internal customers after analysing their credit worthiness. "I don't see any major concern on unsecured loans," says Puri.

The bank is also banking on another growth engine – rural and semi-urban areas. In the past four-five years, the bank has spent a good amount of time understanding the market. Currently, the revenue contribution of these areas is about 22 per cent. "We have tested out all our strategies. The prospects are even better," says Puri. The bank has a flagship 'Kisan Gold Card' which is like an omnibus kind of platform for buying motorcycles, tractors and accessing crop loans, etc. "There is a good quality of growth available in these areas. We do not need to push anywhere to take a higher risk or lowering our margins in our existing business," says Puri. In fact, more than half of its branches are based in India's hin-

22%

THE CONTRIBUTION OF RURAL AND SEMI-URBN AREAS TO HDFC BANK'S TOP LINE

"THE BANK HAS GOT THE MOST FOCUSED STRATEGY OF CUSTOMER SEGMENTATION"

Vimal Bhandari
Financial Services Professional

terland. There was a time when the bank was setting up 80 per cent incremental branches in these areas. There won't be any such aggressive expansion in future with technology partly solving the problem. The bank is also experimenting with one to two person branches in such areas. But the challenge could be from small finance banks which have asset base and are now tapping the low cost deposits in these centres. Currently, the bank has a CASA (current account and savings account) ratio of 43 per cent which is quite comfortable.

The man who built the bank from scratch is also laying the foundation of the digital bank. Puri, 67, has time for another two to three years till he reaches the retirement age of 70 years. Paresh Sukthankar, who is in his mid 50s, is already Deputy MD of the bank since December 2013. Many see a smooth succession.

Digital banking will be a big focus area in the years to come. "We are altering our fundamental operating procedure through the use of technology and leverage it to offer better products by customising them," says Puri. The bank is continuously identifying processes in HR, security, fraud detection, etc. for robotic automation. Automation is likely to have an impact on the people intensity in business. "People intensity in repetitive jobs may go down in operations, but it will go up in other areas like operating risk, digital marketing, etc. As you go in semi-urban and rural areas, then you will need more people," says Puri.

There is also a fintech collaboration model. Similarly, there are also financial services aggregators that are pooling the products of banks and offering the best choice to customers, another conduit for HDFC Bank. "The aggregators of financial products will also evolve," says Puri, suggesting that as banks become more digital, the aggregators of financial products will have to re-engineer their business model to survive.

The bank is continuously investing. It has raised ₹24,000 crore only a few months ago. "The future capex will be more on digital and automation, straight through processing, cloud computing, AI, etc." says Puri. The fintech collaboration model will help.

Clearly, the bank has confidence as always to take challenges head on. That's also reflected in its market cap, around ₹4.95 lakh crore. It's more than SBI, ₹2.37 lakh crore, and ICICI Bank, ₹2.99 lakh crore. HDFC Bank appears poised to cash in on the opportunities ahead. BT

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CHALLENGES AHEAD

Succession issue with Aditya Puri to retire in another three years

New payments, small finance and full scale banks to tap low-cost deposits

Unsecured loans are growing at a rapid clip

Margins on retail products to come under pressure with competition


Kajaria
DESH KI MITTI SE BANI TILE SE,
DESH KO BANATE HAIN.
Kajaria

UDAY KOTAK
EXECUTIVE VICE CHAIRMAN & MD, KOTAK MAHINDRA BANK

BUILDING MUSCLE

Kotak Mahindra Bank is focusing on acquisitions, organic growth and universal banking model to consolidate its position.

BY MAHESH NAYAK
PHOTOGRAPH BY MANDAR DEODHAR

Paul Krugman once said that whenever banking became exciting and interesting, it got out of hand and jeopardised the entire economy. This seems true if one looks at the 2008 global financial crisis. That's true for India too. So, when most Indian banks, chasing high growth, were rushing to give loans to infrastructure and capital goods companies during the 2004/08 boom period, the Uday Kotak-promoted bank stayed away.

"We did not participate in the greed. We have been wary of assets that are not adequately collateralised," says Joint Managing Director Dipak Gupta. The net non-performing assets of 1.26 per cent, among the lowest, reflect prudent lending practices. "It's not an easy choice. You are sacrificing growth and return in the hope that it will pay off over a period," he says. And it has paid off. Growth in advances and deposits has been 36 per cent-plus a year over the last three years. Operating profit has grown 32 per cent a year over the period.

Kotak has been a fast learner. It went overboard on retail,

KOTAK BANK VS OTHER TOP MID-SIZED BANKS

	KOTAK BANK	YES BANK	INDUSIND BANK	FEDERAL BANK
TOTAL NPA GROWTH RATIO (%)	1.41	2.28	1.42	1.64
NET INTEREST MARGIN (%)	4.4	3.32	4.14	3.09
TIER I CAPITAL ADEQUACY (%)	15.9	13.3	14.72	12.39

Figures for 2016/17 Source: BT-KPMG Study

especially short-term personal loans, but took timely corrective action. Similarly, it learned its lessons in the stressed assets space. "Buying bad loans and resolving them teaches a lot of things. It made us overcautious," says Gupta.

The bank is always on the lookout for good lending opportunities. It is one of the most capitalised with capital adequacy ratio, or CAR, of 16.77 per cent. India's largest bank, SBI, has a CAR of 13.11 per cent, while the largest private sector bank, HDFC Bank, has a CAR of 13.11 per cent. "There is no hurry to lend," says Gupta. "Uday Kotak believes in RoI," says a banker who used to work with the bank.

The bank's focus is on short- to medium-term loans. "If the lending is for a longer period, it becomes difficult to recover money, as we don't have control over cash flows," says Gupta.

"The biggest factor is high corporate governance standards. For instance, if he (Uday Kotak) knows that the money isn't coming at the end of 30 days, the bank will do provisioning upfront rather than waiting for 90 days. The other important factor is his focus on net interest margins and not on being number one. He doesn't mind being number 3 but will not compromise on margins," says a former employee.

Looking forward, the bank feels that exuberance is shifting from wholesale to retail. "Everyone is chasing the same set of customers and assets," says Gupta. "This is how leverage builds up, asset bubbles build up. That's how marketplaces shift," says Gupta. Kotak is among the few banks with one-third contribution each from wholesale, SME and retail segments. What is worrying are reports that some SMEs may be in trouble due to government policy, GST and demonetisation. The bank is moving cautiously. Gupta feels there is always a trade-off between growth, return and risk and one has to choose the most appropriate mix and cut the noise, especially when peers are running fast. Gupta sees a lot of opportunities in distressed assets. The merger with ING Bank has helped the bank build a bigger customer base and given it stability. "Ultimately, it's a customer business."

New Businesses

In 2016, Kotak acquired Bangalore-headquartered BSS Microfinance Company. In 2015, it ventured into general insurance. "These were the

YES BANK
FASTEST-GROWING MID-SIZED BANK

SAYING YES TO GROWTH

IN AN environment where the private sector is hardly investing, Yes Bank, a largely corporate focused bank, has been judged as the fastest-growing mid-sized bank in the BT-KPMG Best Bank Survey for 2016/17. Industry analysts feel Yes Bank treads where its peers fear to go. "Yes Bank has created a niche for itself in underwriting certain structured transactions where it earns good fee income. Second, it has a strong risk monitoring and credit underwriting team that is able to identify early warning signals and ensure timely action before a portfolio goes sour,"

says Rohan Mandora, banking analyst at Equirus Securities." The bank, with a balance sheet of over ₹2.15 lakh crore, has been growing at a rapid pace. Loans and advances have been rising at 34 per cent a year and fee income at 35 per cent per year.

Another reason for strong growth is focus on the retail book. The bank has been seeing good demand from MSMEs and for consumer lending. "While private banks have been able to eat into the market share of state-run banks, Yes Bank has been successful in gaining market share among mass-affluent and above categories of retail customers on the liability side which provides an opportunity to cross-sell retail asset products," says Mandora. It is the secured lending part of the business that has been a key focus area. For instance, it has been able to grow affordable housing loans at a fast clip. The bank feels the vehicle loan book is not risk-accretive since most of the lending is for productive assets (loans for transporters) which are creating business value.

"Our aim is to get the loan mix to 60:40 by 2020, with 40 per cent being the retail book. While we expect robust growth in corporate loans, retail loans will grow faster on the back of increasing digitisation and efficiencies," says Rana Kapoor, Managing Director and CEO, Yes Bank. NPAs have risen but are still under 1 per cent. "Yes Bank's asset quality continues to be among the top three in the industry, with gross NPAs at 1.72 per cent and net NPAs at 0.93 per cent," says Kapoor.

"While there is a perception among a certain segment of investors that it is a risky bank, Yes Bank is taking judicious transaction-based calls with risk covered and adequately priced in," says Mandora.

PHOTOGRAPH BY RACHIT GOSWAMI

"WHILE WE EXPECT ROBUST GROWTH IN CORPORATE LOANS, RETAIL WILL GROW FASTER DUE TO DIGITISATION AND EFFICIENCIES"

Rana Kapoor
MD & CEO, Yes Bank

By MAHESH NAYAK

36%

PER YEAR HAS BEEN THE GROWTH IN LOANS AND DEPOSITS OVER THE LAST THREE YEARS

missing pieces," says Gupta. Lending for consumer durables is another big opportunity as existing customers can be used to cross-sell. "It's an incremental business. That's a big opportunity," says Gupta.

The focus over the next few years will be on increasing the customer base. The bank has already got into the act by launching the 811 project for acquiring customers through the digital platform. While the cost of doing this is high, Gupta says it is an investment as one can't do without technology. "In 18 months from launch, we would have doubled the customer base. You can't look at technology from the point of success or failure. It's hygiene. You cannot do without it. Customers want it. So, you have no choice but to offer it."

Gupta says fintech players will be big disruptors of financial markets but it is to be seen if the existing market place will be disrupted. "There are 25 different technologies we are looking at and investing in some of them. Our problem is where to invest for a winning solution. The only way out is to collaborate. Acquiring is not possible due to technology being expensive. Also, you never know when it becomes obsolete."

The bank's immediate focus is increasing customer count. "You need more and more of them to have a sticky customer base. We have only 2 per cent market share. We have a long way to go," says Gupta. The journey, in some ways, has just started, and it's a long road ahead. BT

@maheshnayak

QUANTUM LEAP

How a little-known bank lending to local traders in Maharashtra turned into one of India's top 10.

By NEVIN JOHN
PHOTOGRAPH BY RACHIT GOSWAMI

Seven years ago, Vishwavir Ahuja, Managing Director and CEO of RBL Bank, raised ₹750 crore capital to re-launch the Kolhapur-based Ratnakar Bank as RBL Bank. The bank had a net worth of ₹340 crore then. Ahuja has raised capital six times in the past seven years. This includes ₹1,680 crore raised in mid-2017.

"In our new avatar, we have grown loan book from ₹1,200 crore to ₹37,000 crore, the balance sheet from ₹2,000 crore to ₹55,000 crore, at a CAGR of 60 per cent," says the banker, who left his job in Bank of America in 2010 to build up the 'local bank' known for lending to local traders.

Ahuja took over at a time when Indian banking was facing turbulence. Aftershocks of the global financial meltdown, slow GDP growth, slowdown in manufacturing and crisis in microfinance in Andhra Pradesh acted as backdrops to his efforts to rebuild the bank. When these faded, the current ones, such as demonetisation, non-performing assets and frauds, reared their ugly heads. None of that fazed him. "We compare favourably against the most well positioned, large banks in India which chartered their journeys at more opportune times," says Ahuja. With a ₹55,000 crore balance sheet, RBL stands out among peers

VISHWAVIR AHUJA
MD & CEO, RBL BANK

DCB Bank, Karur Vysya Bank, J&K Bank and Punjab & Sind Bank – all with balance sheets of less than ₹1 lakh crore. "RBL, which posted a net profit of ₹12 crore in 2010/11, is on track to report a profit of ₹600 crore-plus this year, which means 50 times growth in profitability."

The bank has been able to maintain asset quality throughout these years. "The net NPAs have been well under 1 per cent and gross NPAs below 1.5 per cent. The NPAs were 3-4 per cent when we took over the reins of the bank. We consistently maintained strong, profitable and prudential growth," he says.

In the last financial year, income surged 51 per cent to ₹1,977 crore, thanks to rise in advances (39 per cent) and deposits (42 per cent). The bank reported a 53 per cent rise in profit to ₹446 crore. Capital adequacy ratio and net worth also rose. The cost to income ratio improved from 58.6 per cent to 53.4 per cent. Return on assets moved up from 0.98 per cent to 1.08 per cent, while return on equity improved from 11.32 per cent to 11.67 per cent, despite capital raising through a ₹1,211 crore initial public offering in August 2017. The issue was subscribed 70 times. Gross NPAs were 1.2 per cent while net NPAs were 0.64 per cent at the end of the last financial year. The bank's market capitalisation is around ₹20,700 crore. The net interest margin increased from 3.29

₹20,700

CRORE
THE MARKET CAPITALISATION OF RBL. THE NET INTEREST MARGIN INCREASED FROM 3.29 PER CENT IN MARCH 2017 TO 3.9 PER CENT IN DECEMBER 2017

ON A FAST TRACK

Dhanlaxmi Bank
Fastest-Growing Small Bank

G. Sreeram
MD & CEO, Dhanlaxmi Bank Ltd

One of India' oldest private banks, Kerala-based Dhanlaxmi Bank, faced legacy issues, management change and modernisation pangs in the last decade. It pressed through changes after outsider CEO Amitabh Chaturvedi and a new board took charge. When the economy went into a downturn in 2012, it halted branch expansion, hurting the loan book. Chaturvedi left around the same time. The bank was in losses from 2011/12 till 2015/16, barring a small profit in 2012/13.

Its fortune eroded in the south after the name change from Dhanalakshmi Bank to Dhanlaxmi Bank – an attempt to become acceptable to customers in North India.

The bank showed signs of recovery in 2016/17, with net profit of ₹12.38 crore against net loss of ₹209.45 crore in 2015/16. Gross non-performing assets (NPAs) stood at 4.78 per cent of gross advances as on March 31, 2017, compared to 6.36 per cent a year back. Net NPAs went slightly down to 2.58 per cent.

In the first half of this fiscal, it recorded a net profit of ₹14.03 crore, up 19.4 per cent, thanks to reduced expenditure and rise in net interest margin. Operating profit improved 26.93 per cent. The bank detailed earlier that its thrust areas will be retail loans, NPA recovery, low-cost deposits and other income in this financial year.

per cent in March 2017 to 3.9 per cent in December 2017 .

From its earlier business of lending mostly to local traders in Maharashtra, RBL now offers services under six verticals – Corporate & Institutional Banking, Commercial Banking, Branch & Business Banking, Agri Business Banking, Development Banking and Financial Inclusion, and Treasury and Financial Markets Operations. It services over 3.98 million customers through 247 branches and 383 ATMs in 20 states, and is now the sixth-largest player in microlending. "We have achieved size through organic growth so far. Since the difficulties in the banking sector are opening up opportunities for acquisitions, we will look for inorganic growth in the coming days," says Ahuja.

With a diverse product portfolio, no legacy issues, capable management and low market share, RBL should report industry-leading loan CAGR of 35 per cent until March 2019, Motilal Oswal analysts said in a report last year. "We expect stable or improving margins with loan mix changing towards high-yielding loans, a sharp fall in cost of bulk deposits and improvement in the credit-deposit ratio," said the report.

Ahuja started the RBL turnaround by focussing on strengthening governance architecture and leadership team by including seasoned bankers with diverse skill sets. "Focus on the core principles of banking and be customer-centric... growth will naturally fall in place. This isn't rocket science, essentially about doing it right," he says. Offering stock options to employees enhanced ownership spirit and accountability. Looking at targets for 2025, Ahuja points out a thumb rule that the industry grows between two and 2.5 times the GDP in a normal scenario, and better-managed banks grow more. Since RBL is now entering the mid-sized category, he says: "Our annual projection for growth is 30-35 per cent."

To maintain consistent growth, the bank is planning a renewed thrust on technology. "In the mid-segment, we built the business using technology. We began with tech innovations in semi-urban and rural pockets of India, which reduced service costs and improved efficiency. Technology has become a key differentiator," he says. The bank uses fintech, health care and education companies to enhance its service footprint.

As RBL adds to its customer base, it has been able to bring down the cost of customer acquisition. The share of current account savings account deposits grew from 10 per cent to 24 per cent, bringing down the cost of funds. The falling rate cycle also reduced the cost of raising funds.

Ahuja is excited about the growing microbanking businesses. "It's on a high growth path. Even post demonetisation, we have grown the business more than 60 per cent. It will be growing around 40 per cent annually. We continue to look for opportunities to acquire good assets to grow this business," he says.

RBL will continue forging partnerships with fintech institutions. However, it will also pursue strategic interests separately for capturing more transaction flows. Retail lending will also be a big area. The bank has over six lakh credit cards; three lakh of these are sourced through Bajaj Finserv. "The credit card business is giving good returns. Profitability will keep improving," says Ahuja. The bank, which has seen value in strategic partnerships, is growing advances by almost half annually, driven largely by partnerships with non-banking financial institutions and technology start-ups like MoneyTap and BookMyShow that are helping it acquire customers for its credit products. "We will expand the retail product base. We are not in home loans. In the small-ticket home loan space, we may be interested, at least in affordable housing. It will take a long time to build a home loan platform and the cost will be high. We will have to see how to go about it," he says. The bank has adequate capital for the next 12-15 months. It will be again in the market to raise capital for future requirements, including acquisitions. BT

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KAKU NAKHATE
PRESIDENT &
INDIA COUNTRY
HEAD, BANK
OF AMERICA

CONSISTENT PERFORMER

With a focus on large companies, Bank of America is now firing on all cylinders.

BY MAHESH NAYAK
PHOTOGRAPH BY RACHIT GOSWAMI

W**hen most** foreign banks were busy cleaning up their books, Bank of America was soaring to greater heights, and eating into competitors' market shares. From being No 3 in the *BT*-KPMG Best Banks study last year (after Barclays and JP Morgan Chase), Bank of America has emerged as the Best Foreign Bank in India for 2016/17. In terms of balance sheet size, Bank of America is at ₹34,000-crore plus, while the size of its peers Citibank, HSBC and Standard Chartered is over ₹1,30,000 crore. Some are also broad-based in terms of their product offerings.

Kaku Nakhate, President & India Country Head, Bank of America, says consistency has been pivotal for the bank's success. Servicing top Indian corporates and working towards attracting MNCs to India to help them invest or expand have been our focus

HOW BANK OF AMERICA STACKS UP

	BANK OF AMERICA	CITIBANK	JP MORGAN	HSBC
TOTAL ASSETS	34,845	1,48,390	28,967	1,30,475
CAPITAL ADEQUACY (%)	19.24	17.63	16.47	18.76
NET NPAs (%)	NA	0.46	NA	0.44

Assets In ₹ crore
Indian units of global banks

Figures for 2016/17
Source: BT-KPMG Study

areas. "We have been consistent in our strategy of partnering key Indian and MNC clients,," she states.

The bank has added new clients to its pool of top 200-250 corporates in India. It has also seen a 10 per cent growth in fee income, whereas many other foreign banks saw lower, even negative, growth in 2016/17. In terms of business, the last year was not great for the Indian banking sector because of over-leveraged corporates sitting with excess capacity and muted activities on the M&A space. The aftermath of demonetisation and the introduction of Goods & Services Tax (GST) have also slowed down the Indian economy. But, Bank of America thrived.

2.04%
BANK OF AMERICA'S RETURN ON ASSETS

Post the introduction of GST, Nakhate and her team at Bank of America had to hand-hold their clients and "help them through", and that paid off well for the bank. "It was important from a management perspective as it helps in understanding the client better. It's like being a partner," says Nakhate, who believes in building long-term relationships with the clients. "If you show consistency to the clients, they trust you. They also start expecting certain deliverables from your bank."

Not being in the MSME space has been the biggest advantage for the bank. "It was a conscious call to not get into the MSME space, and adhere to our strategy of working with top-tier corporates in the country," says Nakhate. If India grows, the 250 large corporates will also grow. That is also the reason for the bank's almost-nil NPAs. In fact, the top 250 clients help the bank cross-sell products.

Apart from being a consistent performer, Bank of America is also the fastest growing foreign bank. It was number one in terms of growth in deposits (47 per cent) and growth in loans and advances (10.6 per cent). Its three-year CAGR in deposit was 33 per cent and growth in loans and advances was 17 per cent.

"We have added new products to our portfolio this year, helping us grow our loan book. We may not always be able to compete on loan pricing with domestic banks, but what differentiates us are the global solutions we bring to the table," says Nakhate. She is quick to add that another reason for the bank's growth is its closeness to clients. "You can lend more to the same client as you grow big; unlike a few years back, we are now consistently there with the clients we work with." Its consistency has not just been in acquiring and servicing clients, but also in building a business that is sustainable and continuously profitable. "We have fired on all the four pillars of business. Our two main business streams – global markets and global corporate and investment banking – had an exceptional last year," says Nakhate.

While Bank of America is a thought leader in terms of investment banking, the bank has also done well in fixed income. "Our best-in-class fixed income and transaction services business are agnostic to business cycles. Cash management and trade finance are products that clients need irrespective of the business environment," says Nakhate. She believes that although her bank may be a pioneer in the corporate and investment banking business, which is risk-prone, one has to focus on growing other businesses so that the ship sails steadily.

Going forward, Nakhate is not averse to looking at MSME companies. "We are looking at the distressed debt market, but it has to match our risk appetite. What I can say is that, as of now, we are looking at it like a hawk." The bank will also "continue to invest in technology and human capital, and better its products and delivery." Nakhate is clear that clients will remain at the centre of Bank of America's growth story. "What differentiates us from competition are our repeat clients." BT

@maheshnayak

TAPMI

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“What is incremental?”

- Sharad Agarwal,
Head – Lamborghini India
& TAPMI Alumnus (Class of 1999-2001)

At TAPMI, while teaching sales promotion, our professor would ask the question - ‘what is incremental sales...and what is the cost per incremental sale?’ It is deceptive to look at unit cost of the promotion scheme in contrast to total cost applied on incremental sales. Without sizeable customers from competition or incremental consumption, sales promotion spend could well be money down the drain. The insight is amazing and I now task my team to apply the incremental impact in evaluating options.

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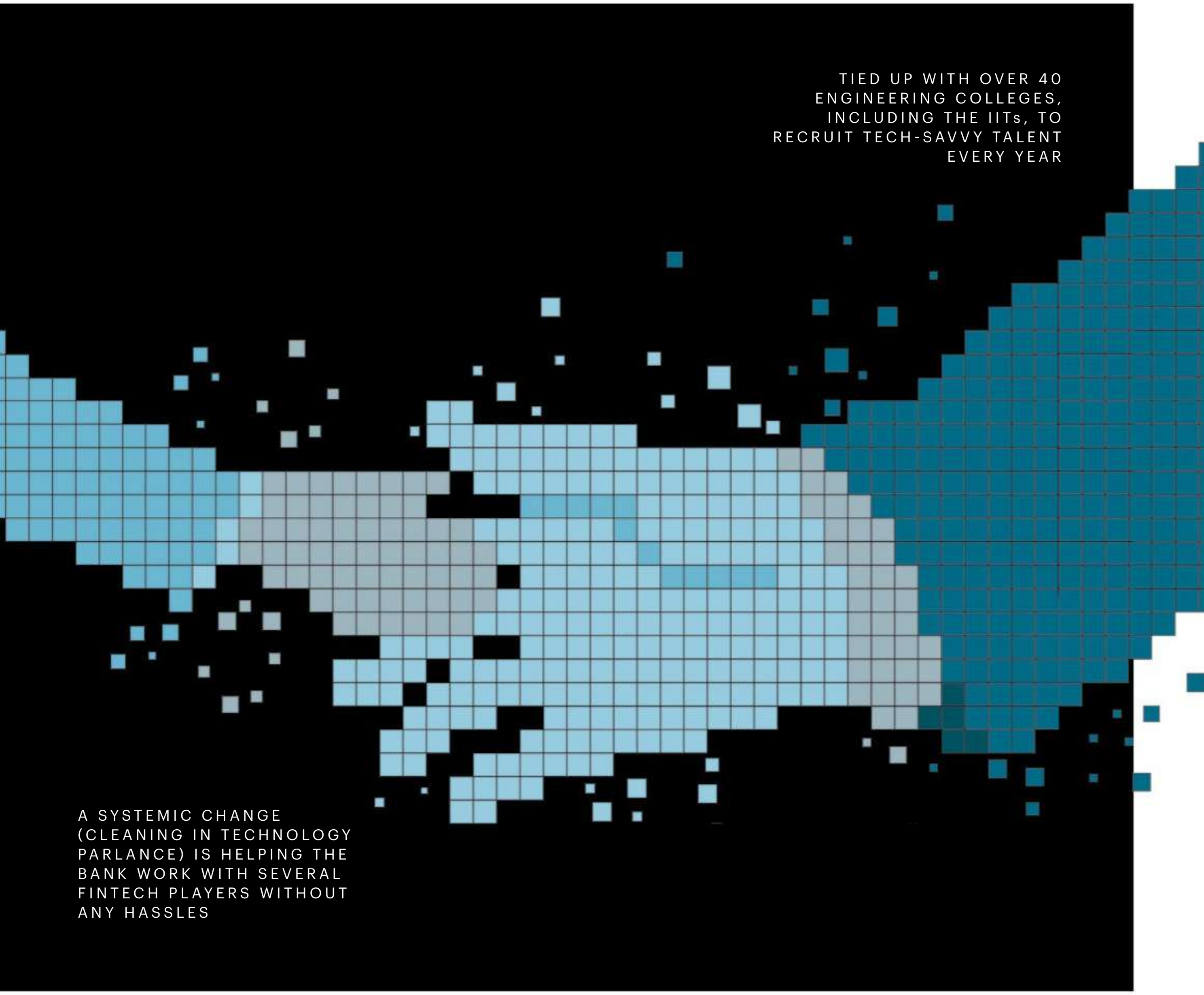
THE ENABLER

ICICI Bank is not only engaging with fintech players but is also leveraging technology to nurture a culture of innovation.

BY ANAND ADHIKARI
ILLUSTRATION BY RAJ VERMA

During a visit to the Indian Institute of Technology Delhi, an ICICI Bank team was introduced to the concept of a 'virtual desktop' by a few young engineers. The bank worked on the technology along with the engineers to facilitate a 'work for home' initiative for women employees. A unique facial recognition technology was designed to ensure that no one could impersonate a staffer and get access to the bank's applications. This kind of in-house initiative and innovation reflects the bank's commitment to adopting technology. The bank already has tied up with 40 plus engineering colleges, including the IITs, to recruit tech-savvy talent every year. This is apart from the 'Appathon', 'Start up boot camp' and 'Fintech Valley Accelerator' programmes.

Chanda Kochhar, MD & CEO of ICICI Bank, says that



with technology changing and becoming more and more open ended, it is imperative for banks to keep innovating in terms of products and services. "There will also be fintechs who will provide certain niche solutions. It's going to be a world of competition and collaboration," says Kochhar. In fact, banks and financial institutions can no longer afford to sit on the sidelines. "If they continue to do that, they will be truly disrupted," warns Garry Narcross, President & CEO of global technology giant FIS who created the core banking solution for Bandhan Bank.

Indeed, smart banks, like ICICI Bank, are ahead of the curve in adopting technology. In the *Business Today*–KPMG Best Bank Awards, ICICI Bank emerged as a winner in the Fintech Engagement category.

THE BANK REALISED THAT MOST OF THE NEW INITIATIVES ARE GOING TO COME FROM THE MARKET

The bank, which first popularised ATMs in the country, realised very early on that most of the new initiatives are going to come from the market. Four years ago, the bank decided to embark on a journey to make its system cleaner (in technology parlance) to engage with fintechs. This system change, or cleaning, is helping the bank work with several fintechs without any hassles. Basically, all the banks have core banking solutions (CBS), the nerve centre, and the rest of the technology is customised and built around

the CBS. "Once the fintech player proves the concept, we have a system of running it through our own security issues before actually accepting it for operations," says B. Madhivanan, Chief Technology Officer and Digital Officer at ICICI Bank.

The bank has also invested in API (application protocol interface) technology. It allows the bank to open its core banking system for building innovative software applications enabling faster processing of transactions.

Today, the bank has 450 APIs across different segments including retail, commercial banking, corporate banking, SMEs, etc. "Each of these APIs started giving us capabilities," says Madhivanan. Not many banks, especially the public sector banks, are actually tech ready to offer APIs. This restricts their ability to partner fintech players.

"WE HAVE TO FIND A MECHANISM TO DEAL WITH HUNDREDS OF FINTECH ENABLERS TOMORROW,"

B. Madhivanan
CTO & Digital Officer,
ICICI Bank

There are various types of fintech companies in the market. There are some players who are providing software as a service (pay per use basis), some who sell the product and there are some who sell only the source code. "The bigger fintechs are providing their solutions as a service," says Madhivanan. Globally, banks are engaging with fintechs. For example, Singapore based Lenddo has a patented technology that uses non-traditional data to arrive at a credit score. This has many applications. Lenddo has a solution to make a profile or character of a person based on social media profiles. In India, there is Creditvidya that offers a similar solutions to banks for underwriting first time borrowers. Currently, ICICI Bank, State Bank of India, DBS, RBL Bank and Axis Bank are using the services of fintech players like CreditVidya. Many imagine a future scenario where hundreds of fintechs are plugging into bank systems for servicing customers. "We have to find a mechanism to deal with hundreds of fintech enablers tomorrow," says Madhivanan.

The overall strategy of the bank is to look at digital as a business and enabler. The bank has also deployed software robotics in over 200 business processes across various functions of the bank including retail, agri, trade, treasury and HR among others. That means a huge saving and also faster response time along with better accuracy. Similarly, the bank has been using AI and crawler engine for corporate banking.

There are also areas where the banks are a bit reluctant to share information with fintechs. For instance, ICICI Bank has been building its own capacity in analytics. "The entire issue is of data privacy and security," says Madhivanan. There is also a threat of some large fintechs disrupting the banking model.

There is already talk of banks eventually focusing on backend processing, compliance, etc. whereas the front end fintechs service the customers. Will something like this emerge in future? "The ownership of customer trust is the most critical element in banking," says Madhivanan. Kochhar says aggregators will become another distribution conduit for banks. BT

@anandadhikari

WHAT OTHER BANKS ARE DOING

CITIBANK

Launched 'Hello' engagement platform for HNIs in 2017, developed by the winner of the CitiMobile challenge

Provided clients flexibility in interacting with RMs using chats, calls & video conferencing

40%
of the mobile app active client base on Hello

1,300-plus transactions with total value of $24 million

YES BANK

Unique services developed with fintechs like mobile SKDs, payment APIs for instant refunds, pay to self service, etc

Partnered with Cashless Technologies for providing offline payment solutions to small retail merchants through UPI-based QR codes; 10,000-plus merchants on-board

Became highest contributor to UPI volumes through partnerships with Fintechs (40% share)

AXIS BANK

In house incubator, a team of 10 Axis Bank employees work on creation of prototype solutions

Co- working space run in collaboration with Amazon web services

Focus on API banking, hackathons and Sandboxed environments as main modes of fintech collaboration

THE INCLUSIVE BANK

State Bank of India is using technology aggressively to reach out to remote areas of the country.

BY E. KUMAR SHARMA

Everything about the State Bank of India (SBI) has been mammoth-sized. The country's largest commercial bank – in terms of assets, deposits, profits, branches and employees – is now replicating the same in the financial inclusion space, too. Under the Business Correspondent (BC) model, an alternative low-cost banking service channel to cater to both urban and rural customers, SBI has installed over 52,340 customer service points across the country to provide products and services such as savings, term deposits, micro loans, remittances and loan repayments. It is with good reason that the bank has been adjudged the winner in the financial inclusion category of the *BT*-KPMG Best Banks study.

We asked Mrutyunjay Mahapatra, Deputy Managing Director and Chief Information Officer at SBI, what sets the bank apart. "There is no competition to us. In financial inclusion, SBI has been a pioneer and, in terms of technology, ahead of the pack in all respects," he says.

Experts from the domain say that the way SBI has built the financial inclusion architecture leveraging the BC model (which other banks also use) has been unique. "What stands out about SBI's approach is the way it has devised its architecture, especially when it comes to dealing with last-mile banking operations. Since the bank already has the power of a huge branch network, it is putting up customer service centres close to its branches in remote locations, shifting all the low-

RAJNISH KUMAR
CHAIRMAN,
STATE BANK OF INDIA

value/ low-yield customers to these centres and keeping the high-value customers in the bank branch, leading to cost rationalisation. This is not something others have done while trying to expand their footprint in remote locations with banking correspondents or through use of technology," says Professor M.S. Sriram, visiting faculty, IIM Bangalore, and member of the External Advisory Committee of the Reserve Bank of India that processed applications for small finance banks.

SBI also outsources its customer service centres to third parties, but the advantage it apparently gets through this architecture is lower costs.

The BC channel is employed for "Aadhaar seeding and linking accounts with mobile." The bank claims credit for having "successfully leveraged technology for propagating financial inclusion by introducing Internet-based kiosk banking, card-based and cell-phone based messaging channels".

In its 2016/17 annual report (the last that is available), SBI reported that under the Pradhan Mantri Jan Dhan Yojana (PMJDY), it had opened 8.57 crore accounts till March 31, 2017, and issued 5.85 crore RuPay debit cards to eligible customers. It also reported that 'a substantial number of these cards were issued in some of the most challenging areas of the country'. The total number of financial inclusion accounts, in the process, grew from 9.28 crore in FY 2016 to 11.73 crore in FY 2017. The value of transactions handled through BCs increased by 27 per cent from ₹58,217 crore in FY 2016 to ₹73,819 crore in FY 2017.

Under the Self Help Group-Bank Credit Linkage Programme, in which SBI has participated since 1992, it claims to be the market leader with a credit deployment of ₹6,139 crore to 3.57 lakh SHGs, 91 per cent of which are women SHGs, as of March 31, 2017. On the technology front, several initiatives such as Aadhaar-enabled Payment Systems, automated e-KYC, Immediate Payment Service (IMPS), Micro ATM roll-out, Savings Bank-cum-Overdraft facility under PMJDY and Direct Benefit Transfer (DBT)/Direct Benefit Transfer for LPG (DBTL) payments have been implemented.

According to the 2016/17 annual report, SBI had sponsored 14 regional rural banks (RRBs), covering 155 districts in 15 states, with a network of 3,977 branches. The bank's equity investment in the 14 RRBs is ₹481.95 crore and its non-equity investment is ₹23.62 crore. It also states that under the PMJDY, RRBs have opened 81.30 lakh accounts, and it is also extending the benefit of social security schemes – the Prime Minister Suraksha Bima Yojna, Prime Minister Jeevan Jyoti Bima Yojna and Atal Pension Yojna – to its customers.

Further, in a bid to empower youngsters in rural regions and to mitigate unemployment, the bank has set up 116 Rural Self-employment Training Institutes (RSETIs) across the country. These institutes will impart comprehensive, residential training in personality and skill development free of cost. The RSETIs have conducted some 13,681 programmes in all and trained 3,65,848 candidates. Of these, the bank claims, 2,34,935 trainees have been gainfully settled in vocation/ employment.

However, it is not as if the other banks have been twiddling their thumbs. HDFC Bank has launched initiatives like instant loan through net banking and ATMs, Artificial Intelligence-based chatbots and a redesigned mobile application. Standard Chartered Bank has created an early warning risk identification solution using Big Data, analytics and algorithms. IndusInd Bank has redesigned its web portals for online FD opening, among other things; Axis Bank is automating certain processes using robotics and Artificial Intelligence for operational efficiency and risk mitigation; and ICICI Bank offers the ease of opening current accounts through Android-based mobile phones and tablets.

The financial inclusion space, is evolving rather rapidly, and is also becoming competitive. Not only is the landscape changing with different players coming in – like small finance banks – but the approach and keenness to tap this segment is also picking up among the full-scale banks.

Other than putting in practice technological initiatives, many full-scale banks are also acquiring stakes in microfinance institutions. IDFC Bank acquiring Trichy-based Grama Vidiyal Microfinance, Kotak Mahindra acquiring BSS Microfinance, DCB Bank acquiring a stake in Annapurna Microfinance, and the IndusInd-Bharat Financial Inclusion (formerly, SKS Microfinance) merger are some examples. Bandhan Bank, which has retained its initial focus on the financially-excluded segments, is another key player in this space. Clearly, SBI cannot rest on its laurels. It will have to keep up the momentum, lest others catch up. BT

@EKumarSharma

KEY NUMBERS

Branches
17,170

Number of Customer Service Points
52,340+

% of ATMs in rural and semi-urban areas:
48.3%

Number of PMJDY* accounts
8.57 crore
till March 31, 2017
*Pradhan Mantri Jan Dhan Yojana

Loans to agri sector
₹1,30,232 CRORE

Source: SBI Annual Report 2016/17; KPMG

CONSOLIDATION OF PSBs MAY NOT END NPA MENACE

Merging a weaker public sector bank with a stronger one may not necessarily improve the asset quality of the former.

BY NARESH MAKHIJANI (LEFT) AND HARSHVARDHAN BISHT

The Indian banking sector has become slightly fragile and marginal with the rising non-performing assets (NPAs) and decreasing credit base. The Indian government aims to create a banking system on a par with the top global systems – one that can assist global business dynamics and most importantly, one that is strong, competitive and reliable. In other words, an ideal banking system is one that enjoys depositors' trust and investors' reliance. To evolve into such a system will require improving conditions around weak corporate governance, poor assets quality, insider abuses, weak capital base, unprofitable operations and overdependence on public funds.

Against this backdrop, the consolidation of public sector banks, or PSBs, is being indicated as a future step by experts and governors of this field. In a country of about 1.3 billion people, there are about 21 PSBs, 21 private sector banks, 43 foreign banks, 31 state co-operative banks and 56 regional rural banks, according to the Reserve Bank India (RBI) website. Also, nine small finance banks and four payment banks have been launched to help expand technology-based banking and support mass banking. So, the consolidation measure could be a step towards making the Indian banking sector less crowded, removing concentration of banks in metros and ensuring diversified availability of financial services across the country.

The idea of bank consolidation was first discussed in the Narasimhan Committee Report in 1991, wherein the committee recommended the creation of a three-tier banking structure in India. In substance, however, there could be arguments for and against consolidation, which are summarised below.

Arguments for PSB consolidation:

- Larger banks should be able to generate greater economies of scale and scope.
- Reorganisation may positively impact corporate governance and managerial efficiency.
- Higher capital base post consolidation will facilitate increased lending activity and faster growth of gross domestic product.

- It will also enable geographical diversification, increase in market share and penetration to new markets, and help promote international acceptance and recognition.

Arguments against consolidation:
- Creation of 'too big to fail' banks may entail fiscal costs to the government.
- Lack of synergy in business models, dearth of compatibility in business cultures and emergence of technology platforms may result in increased costs for merged banks, impacting operational efficiency.
- Increase in stressed asset portfolio will put more pressure on capitalisation levels.
- Neglect of local needs could lead to the reduction in credit supply.

With the growth of private sector banking in India, mergers and acquisitions (M&As) in banking have taken root. After liberalisation in 1991, there have been about 19 takeovers in banking, and barring a couple, all of them were bailouts. In the current scenario, consolidation is considered due to three major reasons:

Capital erosion of PSBs: Most PSBs are far from meeting minimum capital requirements as their balance sheets are weighed down by NPAs, continuous losses, rise in provisions and stagnant credit growth. Although the PSBs and the government are taking a number of measures to improve these, consolidation of banks could help provide optimum balance sheet size for competitive advantage and could maintain a capital base to meet regulatory and growth needs. Some of the recent steps taken are mentioned below:
- A few banks, including Allahabad Bank, Bank of India and IDBI, are seeking their respective Board approvals to raise equity capital from public and their employees.
- In December 2017, the government infused ₹7,600 crore in six public sector banks as they were on the verge of breaching the minimum capital requirements. These included Bank of India, Central Bank of India, Dena Bank, IDBI, UCO Bank and Bank of Maharashtra.
- PSBs are planning to exit non-core assets worth ₹20,000 crore in a bid to cut their losses and meet capital requirements. State Bank of India (SBI), which still owns stakes in 11 entities, sold ₹2,662 crore of non-core assets/strategic investments in FY2016/17 and harbours further sell-off plans.
- Banks are also aggressively selling off their existing NPAs to asset reconstruction companies, NBFCs and other banks. SBI, Indian Bank, Andhra Bank and Allahabad Bank are some of the PSBs that have taken this route. But due to lack of competent buyers, banks are relying more on the National Company Law Tribunal (NCLT) to get a better value for their bad accounts.

₹7,600 cr

CAPITAL INFUSED BY THE GOVERNMENT IN SIX PUBLIC SECTOR BANKS IN DECEMBER 2017

While these efforts are aimed at cleaning the existing balance sheets of PSBs, complying with the new Basel norms by 2018/19 and implementation of Indian Accounting Standards (IndAS) are also bothering the banks and the government.

Structured deployment of recapitalisation funds: Against the backdrop of stagnant credit growth and high provisioning for NPAs,

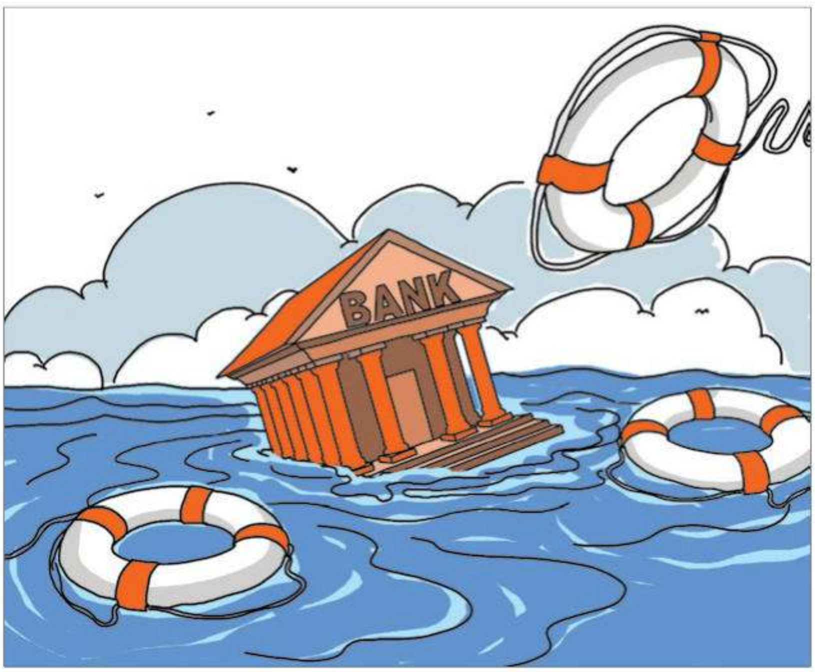


ILLUSTRATION BY RAJ VERMA

10%

OF ALL LOANS GRANTED BY SCHEDULED INDIAN COMMERCIAL BANKS IN FY2016/17 HAD TURNED BAD

₹20,000 cr

VALUE OF NON-CORE ASSETS THAT PSBs ARE PLANNING TO EXIT TO CUT LOSSES AND MEET CAPITAL REQUIREMENTS

there is no doubt that the PSBs largely depend on the government to meet core capital requirements. However, the government has limited funds, which should ideally be given to a limited number of banks to ensure a better return on investment (ROI) instead of supporting all 21 banks.

Creation of globally competitive banks

Apart from developing a robust banking sector, India is yet to gain a presence among the top 10 global banks in terms of size and market capitalisation. Consolidation can ensure the size, allowing the entities to compete with global leaders and enjoy some of the global benefits.

NPAs Playing Spoilsport

India had escaped the global financial crisis unscathed. However, we either chose to ignore or failed to spot the domestic monster – NPAs. In 2016/17, the value of NPAs at the scheduled Indian commercial banks was worth over ₹7 lakh crore, with approximately 90 per cent being accounted for by the PSBs. In the same year, the gross bank credit of all scheduled commercial banks in India was approximately ₹70 lakh crore, indicating that almost 10 per cent of all the loans granted had turned bad for banks (KPMG in India analysis, 2017-18). While we were 'unmindful of the growing NPA problem', the monster was successful in creating a significant setback for the banking industry over the years.

Both RBI and the Ministry of Finance are in favour of consolidation of banks to create a balanced banking sector in terms of regional reach, geographical reach and financial stability. In fact, the sector has plans to consolidate the current 21 PSBs into 10-15 in the near future. But considering the bad loans scenario, especially at the big banks (they are the most likely 'buyers' in this debate of consolidation), the major question that arises is whether these big banks will be able to absorb their smaller peers. The recent merger of SBI associates led to approximately 60 per cent jump in gross NPA for SBI, thus resulting in significant reported losses.

Interestingly, the growth in NPAs is higher than the growth in loans and advances for almost all PSBs in 2016/17. Rising NPAs, mostly due to lack of governance and weaknesses in credit administration, is the major cause of this asymmetry. However, the stalled credit growth due to an overall business slowdown in the economy also has a significant role to play in creating this gap.

The first step towards consolidation is restoring the health of the banking system. Recent initiatives by the government, including recapitalisation and establishment of the Insolvency and Bankruptcy Code, 2016, are aimed at addressing the concerns of rising NPAs in PSBs. While the theme of 2016/17 in the banking sector was recognising bad loans, in 2017/18 the dominant theme is likely to be the resolution and recovery of the banking sector's health.

The regulatory framework for M&As in the banking sector is laid down in the Banking Regulation Act, 1949 (BR Act), which provides for two types of amalgamations – voluntary and compulsory. The size of the NPAs will play a big role in defining the type of consolidations that may take place in the future.

Over the last couple of years, there has been a lot of debate on utilising the consolidation option to mitigate the issue of rising stressed assets in weaker banks. However, one must take note that consolidating two weak banks may create a large weak bank while consolidating a weaker bank with a stronger bank may not necessarily improve the asset quality of the former. In this scenario, the consolidation of the banking sector as a means to resolve stressed asset challenges does not appear feasible. When the health of the banking sector is restored, India may experiment with the consolidation of PSBs.

Meanwhile, internal consolidation of PSBs in terms of rationalisation of branch/ATM network/administrative offices, disposal of non-core assets, withdrawal from unrelated/unprofitable lines of ancillary business and external consolidation with other PSBs having similar cultural/regional traits by way of pooling of IT infrastructure, credit-underwriting systems for large projects and human resources could be explored expeditiously. Such 'soft consolidations' will pave the way for 'hard' M&As in the PSB space in future. BT

Naresh Makhijani is Partner and Head, Financial Services KPMG in India, and Harshvardhan Bisht is Partner at KPMG in India

ACREX Hall of Fame 2018 inductee
Reliance Corporate IT Park, Navi Mumbai

Energy Efficient Infrastructure the roadmap to a sustainable nation

In the present climatic scenario of the world, it has become extremely important for industries to acknowledge the negative effect of climate change and therefore act towards Engineering a Sustainable Tomorrow

With the spurt of industrial growth and technological progress, the world is constantly moving into cities, widening borders and going beyond city limits. This burgeoning expansion is unstoppable, and therefore presents a need for us to adapt and engineer a better tomorrow for our future generations in a sustainable manner.

The Indian HVAC industry is seen outperforming the rest of the world by 2019. Estimated to grow at 9.16% CAGR versus the global market that is estimated to grow at 5.6% CAGR, India is still an untapped market when it comes to the HVAC industry. For instance, penetration of air conditioning and refrigeration stands only at 4% today.

However, as per the BP Energy Outlook 2018, India's energy demand is likely to take over China as the largest market for energy by late 2020s, growing by more than 4.2 per cent per annum. This indicates that India is at the right stage to uncover its potential to become a global super power with improved standards of living amidst a growing population and fast urbanization. Moreover, the government's initiative to build '100 smart cities' is a definite sign of encouragement that will help optimize the efforts of individuals and industry players towards making our country a sustainable nation.

ENGINEERING A BETTER TOMORROW: THE DANFOSS PROMISE

With a firm commitment towards transforming cities to become greener, healthier and more energy efficient, Danfoss technologies aim to meet the growing need for modern infrastructure in the country with its extensive range of products and solutions that contributes to its global expertise as an industry leader in climate friendly solutions.

Mr. Ravichandran Purushothaman, President, Danfoss India says, "With the rising avenues of sociological development and economic growth, India's urban population is expected to soon reach close to half a billion. This accounts for more than 70% of India's GDP, which in turn requires a steady boom in the infrastructure sector. At Danfoss, we believe that 2/3rd of India is yet to be built. Understanding that infrastructure is a primary tool for progress, it is necessary that individuals and industries become aware of the limited availability of our natural resources and therefore shift towards adopting energy efficient interventions which have the potential to save up to 30% in energy consumption".


Ravichandran Purushothaman
President, Danfoss India Region

True to its promise of energy efficiency, the Danfoss India campus at Oragadam, Chennai recently received a Leadership in Energy and Environmental Design (LEED) Platinum rated certification for its green and sustainable set-up which includes a 1 Mega Watt (MW) solar power plant, a bio-gas plant, Zero Liquid Discharge (ZLD) Waste Water Treatment (WWT) plant, Rain Water Harvesting pond, energy efficient fixtures, carbon foot print reduction initiatives and extensive green cover at Campus wherein 70% of the facilities' power requirements are sourced through wind and solar energy.

RECOGNISING THE CHAMPIONS OF CHANGE: ACREX HALL OF FAME

In 2015, Danfoss, in association with the Indian Society of Heating, Refrigerating and Air Conditioning Engineers (ISHRAE) jointly constituted the ACREX Hall of Fame that recognises benchmark

ACREX Hall of Fame 2016 inductee
Mumbai International Airport T2

ACREX Hall of Fame 2017 inductee
Infosys EC53 building Bangalore

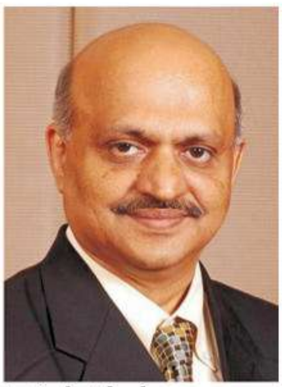
Launch of Acrex Hall of Fame 2018
Coffee Table Book

Commercial Buildings. Since then, every year, the recognition is conferred to buildings that follow the best practices in order to encourage innovation in technology, design and systems to promote the highest standards of energy efficient HVAC systems in Commercial Buildings.

Every year, nominations for the ACREX Hall of Fame are invited from various states and cities across India. They are judged on various criterion such as Energy Performance Index, IEQ Initiatives (Indoor Air Quality), Energy Saving Initiatives including Renewable Energy, Building Management System including Heating, Ventilation, Air Conditioning and Refrigeration (HVAC&R) and one year operational data wherein the nominated buildings should not be more than 4 years old at the time of induction.

The first inductee into the ACREX Hall of Fame (2016) was the Chatrapati Shivaji International Airport, Mumbai, Terminal 2, and the second inductee was the Infosys EC-53 Building in Bengaluru into ACREX Hall of Fame (2017). Additionally, the Indira Paryavaran Bhawan was awarded the Danfoss ACREX Popular Choice Project 2017, through a voting process which recognised their efforts towards sustainability.

This year, the recognition was bestowed upon the Reliance Corporate IT Park – Building 22, Navi Mumbai as the newest inductee into the ACREX Hall of Fame 2018 for their effort in systematically monitoring their HVAC requirements, analysing their Building Management System and implementing the best practices towards energy efficiency and overall sustainability.



Jyotindra Thacker
President, Technology and Procurement, Reliance Industries Limited.

Speaking on the recognition, Mr. Jyotindra Thacker, President – Technology and Procurement, Reliance Industries Limited said, "Housing close to 25,000 employees in a 600 acre campus, we were firmly committed to an energy efficient infrastructure that helps in promoting sustainability while minimizing the economic and environmental cost. Understanding that over 50 percent of energy consumption in the building is by air conditioners, we have employed the latest technology and operating techniques that helps in reducing our power consumption. We are extremely pleased to be receiving the honor of being inducted to the ACREX Hall of Fame and hope to continue our commitment towards protecting the ecosystem in our future projects".

The initial scrutiny and shortlisting of entries was done by the ISHRAE technical committee and final selection was done by a Jury consisting of eminent personalities in the field of HVAC, Government, Architecture and the Building Industry including Dr Ajay Mathur (Jury Chairman) – Director General, TERI, Dr. P.C. Jain – Chairman, IGBC, Padmashree C.N. Raghavendran – Architect, Mr. V. Suresh – Former CMD, HUDCO, Mr. Manit Rastogi – Architect, Mr.Nirmal Ram, ACREX Chairman, Mr. Vishal Kapur, ISHRAE President, Mr. Nagahari Krishna L - Danfoss India and Mr. Sushil Choudhury - Technical Committee Chair.

The initiative also seeks to encourage energy efficiency among Architects, HVAC&R professionals, Builders, Contractors and other stakeholders who are encouraged to utilise the experiences of the inducted projects and replicate their success in the Heating, Ventilation and Air Conditioning (HVAC) space which can inspire existing and newer infrastructure projects to work towards ensuring an energy efficient and environmental friendly India.

The other top finalists for ACREX Hall of Fame 2018 were Infosys SDB-11 building and the Deenanath Mangeshkar Hospital in Pune, TSI Waverock Building, Hyderabad, DLF Mall of India and the GAIL Jubilee Tower in Noida.

Speaking on the importance of energy efficient interventions in Commercial Buildings, Mr. D. Nirmal Ram, Chairman, ACREX 2018 and past National President – ISHRAE said, "Energy efficient interventions in commercial buildings have the potential to save not less than 30% in energy consumption and thereby enable us to meet the rising demand for power. With the rising negative impact of climate change, it is essential that individuals and industries shift towards adopting energy efficient practices, taking into account the life cycle cost of the capex. Since infrastructure is the primary tool for development, it is important to ensure that the upcoming infrastructure projects in India adopt Energy Efficiency at its core".

With industry benchmarks such as ACREX Hall of Fame raising the bar every year, it is heartening to see the number of commercial buildings who have taken the sustainable development route. It is important for stakeholders across the board to recognize the fact that only 1/3rd of India is built and Danfoss, along with its customers, sees this as an opportunity to build an energy-efficient nation in a sustainable manner.

VIJAY SHEKHAR SHARMA
FOUNDER & CEO, PAYTM

THE CHALLENGER

Paytm has transformed into a payments bank for a bigger play in the banking space. Can it pull it off?

BY GOUTAM DAS
PHOTOGRAPH BY BANDEEP SINGH

On Valentine's Day, Paytm's Founder and CEO Vijay Shekhar Sharma sent out two tweets that didn't hint at much love for multinationals operating in India.

"India must welcome global tech companies and must not let them colonise our Internet. Their ambitions and intentions are clear in last few weeks!"

"After failing to win war against India's open Internet with cheap tricks of free basics, Facebook is again in play. Killing beautiful open UPI system with its custom close garden implementation."

WhatsApp, owned by Facebook, and India's most popular messaging platform with about 250 million monthly active users, is testing a payments feature that leverages the United Payments Interface (UPI), a real-time payments system that enables digital transactions between banks. WhatsApp is enabling payments between contacts within the chat app.

Sharma's comments triggered what news portals quickly called a "Twitter war" — Paytm's former and current competition slammed the comments. One of them mocked: "If you can't beat them, bitch them ..."

The exchanges missed a nuance. Sharma said the UPI system was under attack, not Paytm. WhatsApp is enabling what is called P2P or person-to-person money transfers. There is little money to be made here since P2P is not a revenue generating transaction in India yet. There is money in consumer-to-merchant payments as every time a mobile app is used to make a payment, either online or offline, the likes of Paytm and MobiKwik can charge a Merchant Discount Rate (MDR). Sure, the entry of bigger multinationals can result in a bit of brand erosion but the likes of Facebook are unlikely to get into the offline merchant payments space since it requires a huge field force. Paytm has already built an offline merchant network of six million and is targeting 10 million in 2018; MobiKwik has half that merchant number. Indeed, Paytm has topped the Payments segment of Business Today's Best Fintech companies. The company scores highly on funding maturity (it has raised $2.2 billion); on differentiation (the different use cases for its wallet); on level of adoption (300 million customers and six million offline merchant network); and on business volumes (over 10 million transactions a day).

Interestingly, RBI's KYC norms, issued in October, 2017, mandated that Paytm users would have to undergo KYC to transfer money to each other, and from their Paytm wallets to their bank accounts. The deadline was February 28. It could dip transactions a bit — Paytm didn't say how many of its users are currently KYC-enabled but noted that users can continue to use its other services.

Paytm, meanwhile, has also evolved from simply being a wallet company to a platform that processes all kinds of payments instruments. Besides wallet, that instrument could be UPI, a bank account, postpaid or cards. The company, in fact, has built an ecosystem. It launched a payments bank in 2017 and the wallet, first launched in 2014, is now part of the bank. The use cases built can potentially ensure a customer never has to leave its own walled garden, or withdraw any physical currency.

CHALLENGES AHEAD

A limited bank without direct lending

Creating a low-cost deposit franchise

Bigger banks are catching up with new payments innovations

Peers offering interest rate on savings

Stitching partnerships with large banks for lending products

"I CAN OFFER ALL BANKING PRODUCTS, SOME DIRECTLY AND OTHERS THROUGH PARTNERS"

Renu Satti
CEO & MD, Paytm Payments Bank Ltd

The Paytm app now enables recharges, paying of EMIs, booking bus, train, flight, hotels, movie tickets, and even Prime Minister Narendra Modi's book Exam Warriors. One can shop everything from phones to fashion on its e-commerce site, the recently launched Paytm Mall. The use cases and the demonetisation exercise ensured a tripling of its customer base. Transaction volumes have jumped over four times.

Paytm cannot lend, or even offer term deposits, because payments banks are not allowed to. Customers can keep only upto ₹1 lakh in deposits. The use cases of such a bank appears limited at first glance. Paytm doesn't offer a high interest rate either. Airtel Payments Bank, in contrast, offers 5.5 per cent against the 4 per cent an annum that Paytm offers.

So how does Paytm's bank differentiate? Paytm's strength, its executives stress, is its overall ecosystem. That fact that you don't really need to move your money out.

The bank will make money through treasury income, its merchant network, corporate solutions, and partnerships with other banks. While Payments Banks cannot open term deposits, it can partner other financial institutions to facilitate such services. "I can offer all banking products. The only difference is that I can offer some products directly and for others, I have to use the partner ecosystem," says Renu Satti, MD and CEO of Paytm Payments Bank.

Where does the bank go from here? Paytm is planning 100,000 banking outlets in remote corners. One of the objectives of a Payments Bank is financial inclusion. The company is likely to tap into its six lakh offline merchant network for these outlets. A little bit of training, and they could play the role of business correspondents. Also, turn evangelists taking digital transactions to the heartland. BT

@Goutam20

नालको NALCO

An IMPACT Feature

THE SHEEN IS BACK

- Operational efficiency, cost reduction, strategic management decisions play a key role as NALCO registers its highest quarterly profit at the end of Q3 in the current fiscal.
- It has achieved a record net profit of Rs 722 crores (growth of 207%) as against Rs 235 crores in the preceding quarter and Rs 144 crores in the corresponding quarter in the previous fiscal.
- The net sales in Q3 has been Rs 2360 crores, a record of sorts.
- Similarly , the net profit for the nine months ended December, 2017, works out to Rs 1085 crores, a growth of 171 %.
- Metal production, at 3.17 lakh tonnes has registered a steep growth in this period. As a responsible and committed green power producer, NALCO has generated 211 million units of wind power in the first 9 months of this fiscal.
- Under the hardcore professional leadership of the 'Metal Man', Dr Tapan Kumar Chand, CMD, NALCO, the Company has crossed several milestones and the sheen is back on its performance. Dr Chand has been at the helm of strategic decision making processes to improve productivity and sustain growth and his initiatives in operational efficiency, cost reduction have played a significant role in the sterling performance of the Co.

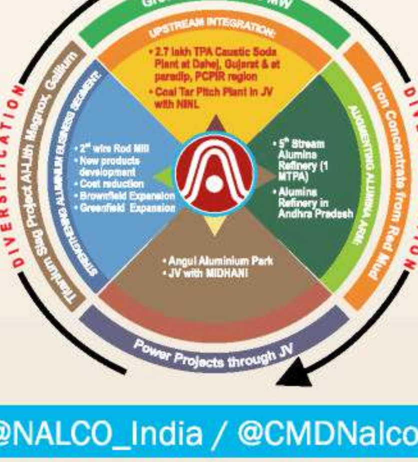
नालको वर्तमान वर्ष की तीसरी तिमाही में ₹ 722 करोड़ का कर पश्चात शुभ लाभ हुआ है जोकि पिछले वर्ष की इसी अवधि की तुलना में लगभग 5 गुना है। यह नालको के द्वारा शानदार कार्य-निष्पादन के परिणामस्वरूप संभव हो सका है।

– नरेंद्र सिंह तोमर, शहरी एवं विकास मंत्री

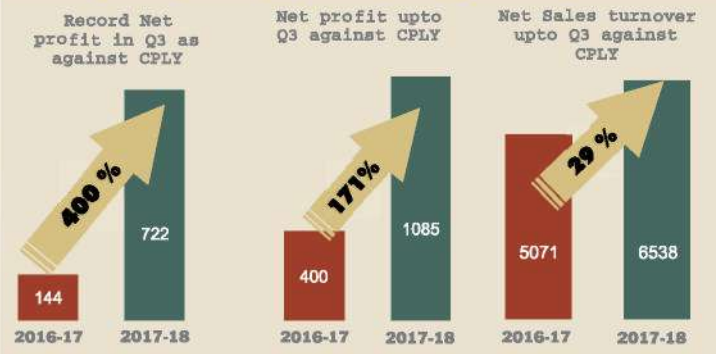
"With robust monetary policy of the Government and demand-supply dynamics brightening, aided by growth in the construction and power sectors, pick-up in automobile segment as well as firming up of Aluminium prices globally, we have recorded robust growth in net profit in 3rd quarter and hope to repeat the same in 4th quarter"

— Dr. Tapan Kumar Chand, CMD, NALCO

NALCO's NEW BUSINESS MODEL



Nalco registers quantum jumpin in Net profit figures in 3rd quarter 2017-18



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ADHIL SHETTY
FOUNDER & CEO
BANKBAZAAR

INDIA'S BEST BANKS / BEST FINTECH – LENDING

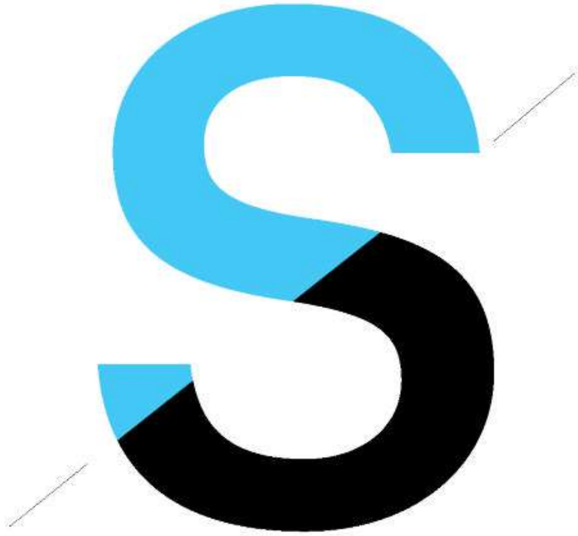
THE OLA OF BAN

Bankbazaar is a successful aggregator of retail loan, investment and insurance products. But scaling up will be a challenge.

BY ANAND ADHIKARI
PHOTOGRAPH BY RACHIT GOSWAMI

BANKBAZAAR

KING



an Francisco-based NerdWallet is a sought-after fintech player. This decade-old company is an aggregator of loan, credit card, mortgage and insurance products. The start-up, with no banking licence, is close to reaching the $1 billion valuation mark. In the UK, there is Money Supermarket, which not only pools banking products but also helps people book flight tickets and cab rides. These two are part of a global trend where online financial services aggregators, be it Money Smart in Singapore and Money Hero in Hong Kong, are becoming a rage. These players enable online comparison and purchase of a large number of financial products on a single platform. And the tech-savvy of the world are hooking on to them to get the best deal both in terms of interest rate and speed (a loan in a few minutes is a common selling point), and that too without much paper work and hassle of a branch visit.

The Bangalore-based Bankbazaar — declared the 'Best Fintech–Lending' in our survey — is India's answer to these fintech aggregators. It does not have a banking licence. Nor does it have the permission to launch mutual fund/insurance schemes. What it offers is the best of everything through tie-ups with as many as 85 banks and institutions. Many bracket Bankbazar an online distributor of financial products but it calls itself a neutral online marketplace. "Bankbazaar is not about selling clicks and leads. We are about paperless transactions. We are providing a platform for moving to a paperless world," says Founder & CEO Adhil Shetty. The other co-founders are Arjun Shetty, the Chief Operating Officer, and Rati Shetty, the Chief Product Officer. All three used to work abroad before setting up Bankbazaar.

In India's fintech world, where there are hundreds of start-ups, Bankbazaar boasts of the widest product portfolio. It offers a dozen product lines in tie-up with banks, non-banking financial companies, insurers and mutual fund companies. The team has 1,750-plus members. The company earned revenues of around ₹75 crore in 2016/17.

Bankbazaar does not lend money from its balance sheet. Banks consider it an online distributor of their products. Though banks such as ICICI Bank and IndusInd Bank are offering 100 per cent paperless personal loans through Bankbazaar, not all banks are technology-savvy enough to offer instant loans. "We tell financial institutions that you don't have to build the entire techstack for paperless transactions. They can plug and play with us," says Shetty. Bankbazaar integrates its system with the bank's core banking system. For example, if a customer uploads documents on the Bankbazaar portal, the files go straight into the bank's system. While most public sector banks are not very tech-savvy and have been staying away, NBFCs have been at the forefront of using the platform. "The conversion rate on such platforms is low," says a banker.

Bankbazaar is unmoved. "We have invested in technology. We have invested a lot on processing data and transferring it to banks," says Shetty. Today, insurance and mutual fund companies have the API to plug and play on Bankbazaar. API, or Application Program Interface, is a set of routines, protocols, and tools for building software applications. Basically, it specifies how software components should interact. "In case banks don't have the API, we integrate with their core banking systems," says Shetty. Bankbazaar is hoping that in future, banks will focus on regulations, compliance and products while fintech players like it will be at the front-end and interact with customers. "We are telling banks that don't pay me for technology, but when you do business, pay me for opex," says Shetty.

The online model, as it stands today, has limitations because of the amount of documentation required, especially for secured loans such as for home and car. Similarly, banks insist on meeting a customer for opening his or her account. That is why Shetty's focus has been unsecured loans, which require less documentation. "We provide personal loans in three minutes. Online customers want convenience, higher loan amount and least possible documentation," says Shetty. The average loan size is ₹3.5 lakh. The biggest growth is coming from investment and insurance. "A quarter of mutual fund subscriptions come through systematic investment plans," says Shetty. The company also does a hygiene check to protect its brand. "We sell products that have at least a five-year record," says Shetty. Shetty says Bankbazaar will soon become the top digital distributor of mutual funds. Similarly, it has taken a decision not to sell unit-linked insurance plans or Ulips. These high-cost plans, mostly equity-oriented, were wrongly sold on a large scale between 2004 and 2008 and were the worst hit by the global financial meltdown. "The insurance business has grown around 145 per cent between between the third quarter of 2016/17 and the thir quarter of 2017/18. We are expecting 300 per cent growth for 2018/19," says Shetty. Bankbazaar works on a marketing fee model or a subscription model where the fee varies with the loan size. The company is replicating the model internationally, especially in Singapore, Malaysia and Hong Kong. "Our 10 per cent revenue comes from overseas. We want to take this to 20 per cent," says Shetty.

KEY NUMBERS

9 YEARS
Period for which it has been in existence

85 Banks and financial institutions with which it has a tie-up

₹75 CRORE
Revenue in 2016/17

$110 million
Equity raised in last funding round

23,00,000-PLUS
Customer base

The biggest challenge for an aggregator is scaling up. PSBs, which control two-third of the banking system, are not keen to open systems for fintech players. Bankbazaar will have to reach out to urban and semi-urban centres to gain scale. The government and regulators also have to encourage e-verification of documents. There is also the issue of tapping the market for secured loans such as those for home and car where one has to secure assets with paperwork. That is why, at present, 50-70 per cent of banks' retail portfolio is accounted for by mortgages, while Bankbazaar has been sticking mostly with credit cards and personal loans. It is banking on mutual funds and insurance to gain size and expects to break even by September, almost 10 years after starting operations. The only comforting factor is the rising valuation. A year ago, global credit bureau giant Experian, which invested in Bankbazaar, valued it at $300 million. "We are now 150 per cent larger than a year ago," says Shetty. Big shareholders include Sequoia and Amazon. Repeated fund-raising means have low equity. But that does not worry them. "What drives me is the work we are doing to alter the entire financial services industry which worked in a particular way for many decades," says Shetty, adding, "The purpose is noble. At the end of the day, I'm not repeating what hundreds have done earlier." BT

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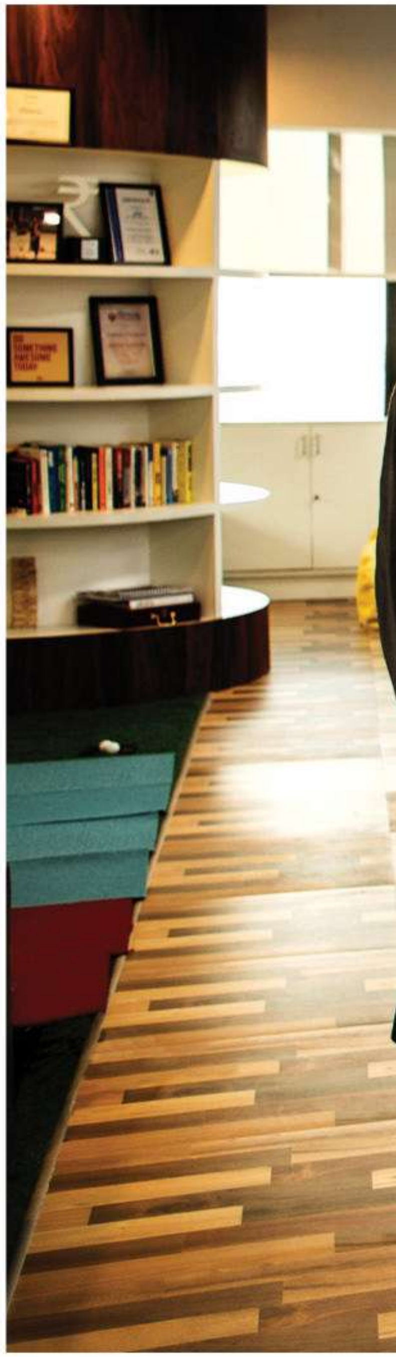
THE VALUE

Banks, NBFCs and new-age fintech firms leverage the SaaS model of Perfios for quick and efficient decision-making.

BY ANAND ADHIKARI

PHOTOGRAPHS BY SUDHIR DAMERLA



B*ack in the 1980s,* it was quite unusual for trained engineers to enter the start-up space. But V.R. Govindarajan did things differently. By 2008, he had co-founded and sold IT product engineering firm Aztecsoft to MindTree and teamed up with Debasish Chakraborty to explore a new opportunity. A year later, the duo started Perfios Software Solutions and built a web-based personal finance management tool for retail consumers.

Bengaluru-based Perfios automated financial data aggregation from an entire range of disparate data sources – banks, credit and debit cards, mutual funds, insurers, loan providers and more – to provide a 360-degree view of one's finances. But individuals were not willing to pay, and there were niggling doubts regarding privacy and data security. As the B2C part of the business did not take off, the duo approached banks and non-banking financial companies (NBFCs). The idea was to leverage the same technology and data platform to help them streamline the lending process.

The company soon had its first customers, a bank and an NBFC. At the time, retail and small business loans called for time-consuming paperwork, crippling speed, efficiency and customer

CREATOR

(LEFT)V.R. GOVINDARAJAN (CEO) AND DEBASISH CHAKRABORTY (CTO), CO-FOUNDERS OF PERFIOS

IN NUMBERS

1. Raised **₹60 crore** since inception
2. Run rate of **₹1.6 crore** a month
3. Software solutions are used by **120-plus banks,** NBFCs and other players
4. **2 lakh** bank statements analysed to date
5. **₹58,125 crore** of transaction flow on its platform
6. An average of **30,000 transactions** per day

satisfaction. The entire exercise used to take around 10-15 days for a retail loan and over a month for a business loan. In contrast, Perfios introduced a seamless, automated platform that aggregates and analyses financial data such as bank statements and business financials, conducts e-verifications and does fraud checking. This, in turn, has enabled financial services players to make better credit decisions faster and improve overall customer experience. Today, Perfios can read data of 250-plus financial institutions while its key clients include the ICICI Group, Kotak Mahindra Bank, HDFC Bank, Bajaj Finserv, the Tata Group and the Aditya Birla Group, as well as mutual funds and insurance companies.

The company will soon cater to new verticals as there have been enquiries from recruitment portals, healthcare firms and even matrimony services. "We never thought of servicing these industries," admits Govindarajan, CEO of Perfios. But there is always scope to reimagine financial services in a digital world, innovate and win. That the fintech company has topped the value-added services (VAS) category in the latest *Business Today*-KPMG Study, is another proof of its winning culture

"WE NEED TO BE PARANOID ABOUT COMPETITION. IT PUSHES US TO CONTINUE INNOVATING"

V.R. Govindarajan
Chief Executive Officer,
Perfios Software Solutions

Perfios has developed a bank statement analyser, currently its biggest revenue earner, which takes a deep dive into all kinds of bank statements as well as income and financial statements of companies. The system can read and analyse 1,500-plus statement formats and 50-plus asset classes, including loans, credits, equities, Public Provident Fund, pension and more, and can prepare relevant reports. Statements are analysed to get an insight into cheque bouncing, recurring expenses and potential fraud triggers. "We give the decision in less than a minute," says Govindarajan and he is not exaggerating.

The company also offers a money manager solution that provides a 360-degree view of one's personal finance by aggregating and analysing various asset classes. Typically, high net worth individuals or asset management companies (AMCs) use the product. Another product called the Dashboard provides a single view of all corporate accounts. This is especially suitable for AMCs as they deal with hundreds of bank accounts or even thousands.

Perfios offers software as a service (SaaS) and leverages a pay-per-use revenue model. But it may soon sell its products to as many banks as possible.

The company's products are likely to be more 'marketable' as it has adequately dealt with all security concerns. "We have built all our designs and architecture around security and privacy," says Govindarajan. The firm also works with global cybersecurity player Paladian, and the latter tests its security-worthiness every quarter. Perfios has tied up with the US-based Trust Guard as well. "It certifies our system every night and runs 46,000 tests on our application and data centres," says Govindarajan. The company is further audited by the Big Four (EY, KPMG, Deloitte and PwC) who conduct it on the banks' behalf.

Many say fintech companies will grow redundant as banks can replicate their products. Others point out that much of the financial data is getting standardised and digitised, leaving little scope for third-party offerings. But a large-scale project across banks will involve huge costs and teething technical issues. "Banks have realised that it won't be possible to innovate everything at their end or replicate what is already there in the market," observes Govindarajan. "Even then, we need to be paranoid about competition. It pushes us to continue innovating." BT

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95%.

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THE TOP RUNG

BANK OF THE YEAR

Shortlist	DEPOSIT GROWTH	LOAN GROWTH	NET NPAs	COST TO INCOME RATIO	ROCE	CAPITAL ADEQUACY
HDFC Bank	17.79%	19.37%	0.33%	0.43	17.95%	14.55%
Kotak Mahindra Bank	13.55%	14.68%	1.26%	0.48	13.23%	16.77%
RBL Bank	42.05%	38.72%	0.64%	0.53	12.88%	13.72%

INNOVATION

Shortlist	Initiative	Scope	Adoption	Impact
HDFC Bank	Rolled out IISS model (Intent, Infra, Service & Security)	To institutionalise digital change	168 innovations, 7 projects made live under this initiative	Generated revenues of ₹55 crore, cost savings of ₹67 crore
StanChart	Early warning risk identification	Identify risk, fraud, wilful defaulters	Implemented in India, being considered for other countries	Saved 8,000 man hours annually
Axis Bank	Robotics, AI	Improve operational efficiency & risk mitigation	Implemented in a/c maintenance services, loans and bulk transaction process	Can rationalise 5 to 30 full-time employees per process

FINANCIAL INCLUSION

Shortlist	Initiative	Scope	Adoption	Impact
State Bank of India	Largest network of branches, BCs & ATMs	Pioneer in micro ATMs for rural India	8.25 crore PMJDY a/cs opened till FY17-end	Highest outstanding loans to agri at ₹30, 232 crore
Bank of Baroda	e-KYC for instant account opening	Adopted Aadhaar-based platform, VSATs at BC centres, micro ATMs, etc	71 lakh PMDJY a/cs opened in FY17, the highest across banks	Surpassed target set for BC outlets and indirect BCs
Punjab National Bank	Large share of rural, semi-urban branches	Large ATM base in rural India	First to start cash deposit through micro ATMs	Disbursed ₹440 crore under Mudra Yojana, exceeding the ₹200 crore budget

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BEST FINTECH ENGAGEMENT

Shortlist	Initiative	Scope	Adoption	Impact
ICICI Bank	iMobile smart keys in retail banking	Transfer money to beneficiaries, pay bills, recharge mobiles	Allows payments without exiting the application	Sharp rise in transaction volumes and registered users
Axis Bank	Fintech infra	Social /co-worker ecosystem	Co-working space with Amazon Web Services (AWS)	Start-ups working from here get to meet AWS architects
Yes Bank	UPI-based QR code	Adoption at small retail merchant outlets	Partnered with cashless technologies for offline payment solution	Highest contributor to UPI volumes through partnerships with fintech players

FINTECH AWARDS

$2.2bn

THIS IS THE AMOUNT OF FUNDING RAISED BY PAYTM TILL DATE

Best Fintech – Payments

Shortlist	Focus	Adoption	Differentiation	Business Volumes
PayTM	Diversified offering with many payment options	Raised $2.2 billion	First to offer QR code-based payment options	Demonetisation boosted consumer base (110 m to 280 m);transaction volumes rose from 1.7 million to 8 million per day
Zeta	Leader in the digital employees benefit space	Founders invested over $19 million	Helped company manage all employees grant digitally through a single portal	Tied up with largest player Sodexo, can scale up without significant investments
Eko India	In domestic remittances market	Evolved from a domestic BC to remittances provider	Network of 50,000 merchants, growing at 5,000 customers per month	Processed $4 billion transfers and currently processing transaction volumes of ₹900 crore in a month

Best Fintech – Lending

Shortlist	Focus	Adoption	Differentiation	Business Volumes
Bankbazaar	$ 110 m equity raised	Has a customer base of 23,000-plus	Provides paperless stack to banks for faster loan distribution	1,200-plus team and revenues of ₹75 crore in FY17
LendingKart	$ 90 m equity raised	Strategic tie-up with NBFCs and Yes Bank, Kotak	Uses machine learning and algorithm-based underwriting models to lend to SMEs	Disbursed 16,000 loans to 12,000 SMEs
Rubique	Product aggregates offerings of FIs	Disbursed loans of ₹2,000 crore, 65% to SMEs; customer base of 1 lakh-plus	Use of data analytics to connect customers with right FIs	Operating revenues of ₹15 crore in FY17

Best Fintech – Value Added Services

Shortlist	Initiative	Adoption	Differentiation	Business Volumes
Perfios	Raised ₹60 crore since inception	Used by 120-plus B2B clients, including banks, NBFCs, MFs and insurance firms	Helps in real-time decision making, analysis and underwriting	2 lakh statements analysed every month, growing at 10 per cent year-on-year
Creditvidya	Offers credit scores, was profitable in third year of operations	SBI, ICICI Bank, big NBFCs using services	10,000-plus digital footprints for credit assessment	Charge lenders per transaction. Alternate credit investment done for five million customers
Valuefy	$0.6 mfunding raised	More than 40 per cent market share (by AUM) in MF industry	Investment analytics platform, robo advisory	$ 0.5 million revenues in FY'17

Note: These are excerpts from the qualitative docket. There are many more initiatives that the jury discussed; data collected for 2016/17 period


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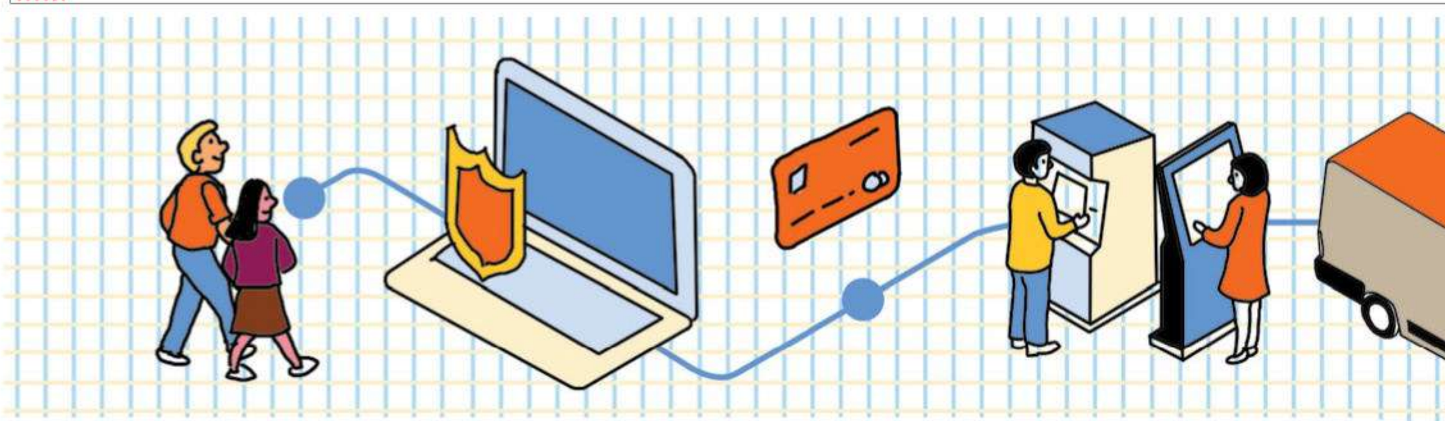


GROUP-I/ LARGE INDIAN BANKS

With balance sheet size more than or equal to ₹3,00,000 crore

			GROWTH (%)										SIZE (₹ CR)		
Rank 2015/16	Rank 2016/17	Bank	Growth in Total Deposits	Growth in Loans and Advances	Growth in Fee Income	Growth in Operating Profit	Absolute increase in Market Share of Deposits	Absolute increase in Market share of CASA	3-year CAGR of Total Deposits	3-year CAGR of Loans and Advances	3-year CAGR of Fee Income	3-year CAGR of Operating Profit	Deposits	Operating Profit	Balance Sheet Size
1	**1**	HDFC Bank	17.79 **2**	19.37 **1**	12.60 **4**	20.45 **6**	1.07 **2**	0.75 **2**	20.56 **1**	22.32 **1**	14.97 **3**	21.46 **1**	6,43,639.66 **2**	25,732.38 **3**	8,63,840.19 **2**
4	**2**	State Bank of India	18.14 **1**	7.34 **3**	5.36 **8**	17.55 **7**	3.44 **1**	1.03 **1**	13.61 **4**	9.10 **4**	15.34 **2**	16.56 **3**	20,44,751.39 **1**	50,847.90 **1**	27,05,966.30 **1**
2	**3**	ICICI Bank	16.28 **3**	6.66 **5**	5.36 **7**	10.99 **9**	0.76 **4**	0.47 **3**	13.87 **2**	11.08 **3**	8.17 **6**	16.87 **2**	4,90,039.06 **7**	26,486.75 **2**	7,71,791.45 **3**
7	**4**	Bank of Baroda	4.81 **9**	-0.13 **9**	20.43 **2**	24.50 **5**	0.41 **7**	0.37 **6**	1.88 **11**	-1.17 **9**	4.77 **9**	5.71 **8**	6,01,675.17 **4**	10,975.07 **6**	6,94,875.42 **5**
3	**5**	Axis Bank	15.76 **4**	10.12 **2**	4.70 **9**	9.20 **10**	0.63 **5**	0.33 **7**	13.83 **3**	17.48 **2**	9.21 **5**	15.35 **4**	4,14,378.79 **8**	17,584.52 **4**	6,01,467.67 **7**
5	**6**	PNB	12.41 **5**	1.74 **8**	25.98 **1**	28.45 **3**	0.80 **3**	0.43 **4**	11.26 **5**	6.30 **6**	17.62 **1**	8.56 **7**	6,21,704.02 **3**	14,565.16 **5**	7,20,330.55 **4**
8	**7**	Union Bank of India	10.41 **7**	7.15 **4**	10.82 **5**	31.68 **2**	0.43 **6**	-0.01 **11**	8.33 **6**	7.73 **5**	6.64 **7**	12.50 **5**	3,78,391.58 **9**	7,430.09 **9**	4,52,704.44 **9**
6	**8**	Canara Bank	3.23 **10**	5.33 **6**	13.28 **3**	24.73 **4**	0.27 **10**	0.10 **9**	5.59 **8**	4.34 **7**	9.94 **4**	9.46 **6**	4,95,275.24 **6**	8,913.89 **8**	5,83,519.44 **8**
11	**9**	Bank of India	5.27 **8**	2.03 **7**	1.76 **11**	61.25 **1**	0.39 **8**	0.39 **5**	4.23 **10**	-0.38 **8**	-617 **11**	4.94 **9**	5,40,032.01 **5**	9,732.65 **7**	6,26,309.27 **6**
12	**10**	Central Bank	11.45 **6**	-22.56 **11**	4.60 **10**	16.86 **8**	0.36 **9**	0.12 **8**	7.31 **7**	-7.71 **11**	-3.08 **10**	-1.56 **10**	2,96,671.19 **10**	3,088.63 **11**	3,33,401.94 **11**
9	**11**	IDBI Bank	1.06 **11**	-11.61 **10**	6.07 **6**	-14.74 **11**	0.10 **11**	0.08 **10**	4.43 **9**	-1.17 **10**	6.55 **8**	-6.94 **11**	2,68,538.10 **11**	4,578.45 **10**	3,61,767.90 **10**

Three-year growth is Compound Annual Growth Rate; Values are rounded off; NPA: Non-performing Assets; CASA: Current Account Savings Account; CAR: Capital Adequacy Ratio; ROCE: Return on Capital Employed; NIM: Net Interest Margin; ^RA: Restructured Assets/Total Average Loans and Advances; ORA: Outstanding Restructured Assets; @Rankings are based on the next decimal place number; For explanation of parameters and how the total score was arrived at, see *How We Did It*, page 102; Divergence in gross NPAs & provisioning for NPAs parameters were added in the 2017 survey

ILLUSTRATIONS BY RAJ VERMA

QUALITY OF ASSETS							PRODUCTIVITY AND EFFICIENCY				QUALITY OF EARNINGS				CAPITAL ADEQUACY		
Total NPA Growth Ratio (%)	NPA Coverage (%)	Net NPA / Net Advances (%)	Divergence in Gross NPAs (%)	Divergence in Provision for NPAs (%)	RA/Avg loans^ (%)	ORA/outstanding loans and advances (%)	Cost / Income Ratio	Cost / Avg Asset Ratio (%)	Absolute Increase in Return on Assets @	Increase in (Operating Profit / Total Income) %	Return on Assets (%)	Fee Income / Total Income (%)	ROCE (%)	NIM (%)	CAR (%)	Tier-I (%)	TOTAL SCORE
1.40	68.67	0.33	0.00	0.00	0.00	0.06	0.43	2.46	0.0002	4.76	1.81	11.93	17.95	4.41	14.55	12.79	**935.37**
1	**1**	**1**	**1**	**1**	**2**	**1**	**4**	**11**	**5**	**8**	**1**	**2**	**1**	**1**	**3**	**2**	
2.57	48.13	3.71	0.00	0.00	0.35	0.53	0.48	1.84	-0.0003	6.88	0.41	10.27	6.31	2.63	13.11	10.35	**843.62**
2	**4**	**3**	**1**	**1**	**3**	**2**	**8**	**7**	**6**	**7**	**4**	**4**	**4**	**4**	**4**	**4**	
7.46	40.19	5.43	30.55	11.01	0.56	3.11	0.36	1.98	-0.0008	2.56	1.31	11.00	10.33	3.29	17.39	14.36	**709.11**
10	**9**	**5**	**9**	**6**	**6**	**3**	**1**	**8**	**7**	**9**	**2**	**3**	**2**	**3**	**1**	**1**	
3.47	57.68	4.72	0.00	0.00	1.25	6.70	0.46	1.36	0.0100	24.76	0.20	6.20	3.44	1.98	12.24	9.93	**685.87**
3	**2**	**4**	**1**	**1**	**10**	**9**	**5**	**2**	**1**	**3**	**5**	**8**	**6**	**9**	**6**	**5**	
6.12	57.36	2.31	129.05	28.15	0.36	3.29	0.41	2.14	-0.0091	-2.21	0.64	12.91	6.76	3.51	14.95	11.87	**664.75**
8	**3**	**2**	**11**	**9**	**4**	**4**	**3**	**10**	**11**	**10**	**3**	**1**	**3**	**2**	**2**	**3**	
5.39	39.81	7.80	0.33	15.68	0.78	4.56	0.39	1.35	0.0091	22.04	0.19	9.98	3.31	2.18	11.66	8.91	**653.24**
6	**10**	**9**	**6**	**7**	**8**	**6**	**2**	**1**	**2**	**5**	**7**	**5**	**7**	**6**	**9**	**8**	
4.78	44.14	6.57	0.00	0.00	0.00	5.66	0.46	1.50	-0.0021	25.40	0.13	5.12	2.37	2.13	11.79	9.02	**573.78**
5	**6**	**7**	**1**	**1**	**1**	**7**	**6**	**6**	**8**	**2**	**8**	**9**	**8**	**7**	**8**	**7**	
3.50	36.31	6.33	2.05	19.09	0.46	4.01	0.49	1.50	0.0070	24.61	0.20	7.30	3.44	1.76	12.86	9.77	**555.00**
4	**11**	**6**	**7**	**8**	**5**	**5**	**9**	**5**	**4**	**4**	**6**	**7**	**5**	**11**	**5**	**6**	
5.60	47.42	6.90	0.00	0.00	0.69	6.07	0.48	1.43	0.0075	59.10	-0.25	4.91	-4.81	2.01	12.14	8.90	**547.38**
7	**5**	**8**	**1**	**1**	**7**	**8**	**7**	**4**	**3**	**1**	**9**	**10**	**9**	**8**	**7**	**9**	
6.57	43.53	10.20	13.85	62.13	1.65	9.66	0.67	1.99	-0.0037	18.09	-0.76	4.19	-13.49	2.24	10.95	8.62	**253.37**
9	**8**	**10**	**8**	**11**	**11**	**10**	**11**	**9**	**9**	**6**	**10**	**11**	**10**	**5**	**10**	**10**	
13.57	43.54	13.21	35.71	58.70	1.10	12.36	0.53	1.39	-0.0045	-15.56	-1.40	7.94	-20.52	1.86	10.70	7.81	**228.51**
11	**7**	**11**	**10**	**10**	**9**	**11**	**10**	**3**	**10**	**11**	**11**	**6**	**11**	**10**	**11**	**11**	

₹27.05

LAKH CRORE

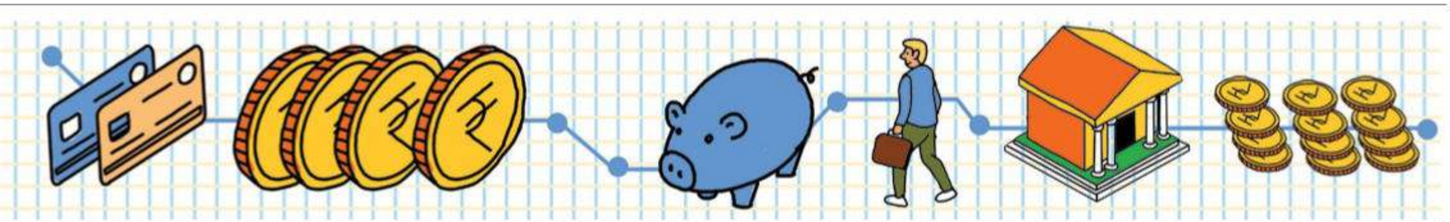
THE BALANCE SHEET OF THE LARGEST BANK, SBI, IS OVER THREE TIMES THAN THAT OF THE SECOND-LARGEST BANK, HDFC BANK

GROUP-II/ MID-SIZED INDIAN BANKS

With balance sheet size of ₹1,00,000-3,00,000 crore

			GROWTH (%)										SIZE (₹ CR)		
Rank 2015/16	Rank 2016/17	Bank Name	Growth in Total Deposits	Growth in Loans and Advances	Growth in Fee Income	Growth in Operating Profit	Absolute increase in Market Share of Deposits	Absolute increase in Market Share of CASA	3 year CAGR of Total Deposits	3 year CAGR of Loans and Advances	3 year CAGR of Fee Income	3 year CAGR of Operating Profit	Deposits	Operating Profit	Balance Sheet Size
3	**1**	Kotak Bank	13.55 **4**	14.68 **4**	27.35 **4**	48.10 **4**	0.21 **4**	0.17 **3**	38.64 **1**	36.91 **1**	37.66 **1**	32.43 **1**	1,57,425.86 **9**	5,984.81 **1**	2,14,589.96 **10**
1	**2**	YES Bank	27.89 **2**	34.67 **1**	35.42 **1**	35.68 **6**	0.33 **2**	0.37 **1**	24.41 **3**	33.47 **2**	35.07 **2**	29.50 **3**	1,42,873.86 **10**	5,837.52 **2**	2,15,059.92 **9**
2	**3**	IndusInd Bank	36.10 **1**	27.89 **2**	28.96 **3**	31.62 **9**	0.34 **1**	0.20 **2**	27.90 **2**	27.08 **3**	34.59 **3**	28.05 **4**	1,26,572.22 **14**	5,451.02 **3**	1,78,648.41 **11**
NA	**4**	Federal Bank**	23.36 **3**	26.25 **3**	17.23 **7**	35.20 **7**	0.20 **6**	0.03 **13**	17.81 **4**	19.08 **4**	17.63 **6**	9.15 **8**	97,664.56 **16**	1,924.91 **13**	1,14,976.93 **16**
5	**5**	Indian Bank	2.37 **10**	-1.05 **10**	-5.59 **16**	31.95 **8**	0.09 **10**	0.05 **12**	3.99 **11**	1.48 **11**	9.83 **9**	11.31 **7**	1,82,509.28 **8**	4,000.71 **8**	2,18,233.15 **8**
7	**6**	Vijaya Bank	6.04 **8**	6.25 **5**	31.41 **2**	56.32 **2**	0.10 **9**	0.08 **8**	2.28 **12**	5.07 **6**	22.67 **4**	29.93 **2**	1,33,011.95 **12**	2,421.15 **12**	1,54,881.58 **13**
NA	**7**	Syndicate Bank#	-0.45 **13**	-0.84 **9**	3.85 **15**	30.20 **10**	0.06 **12**	-0.10 **15**	7.06 **6**	4.71 **7**	13.02 **7**	5.91 **9**	2,60,560.86 **1**	4,233.23 **6**	2,99,073.34 **1**
11	**8**	Corporation Bank	7.50 **7**	0.02 **8**	9.03 **11**	43.44 **5**	0.20 **5**	0.12 **5**	4.48 **8**	0.79 **12**	7.88 **10**	13.46 **6**	2,20,559.62 **2**	4,439.53 **4**	2,47,891.05 **3**
4	**9**	Andhra Bank	12.13 **5**	4.63 **7**	18.79 **6**	10.81 **13**	0.25 **3**	0.09 **7**	11.28 **5**	8.33 **5**	19.61 **5**	16.71 **5**	1,95,441.25 **7**	4,387.96 **5**	2,22,126.13 **7**
12	**10**	Oriental Bank	4.99 **9**	5.93 **6**	9.78 **9**	13.26 **12**	0.15 **7**	0.12 **6**	4.27 **10**	4.28 **8**	-5.63 **14**	0.12 **10**	2,19,339.39 **3**	4,170.13 **7**	2,53,064.73 **2**
13	**11**	Allahabad bank	0.61 **11**	-1.06 **11**	6.62 **13**	-6.46 **14**	0.06 **11**	0.16 **4**	1.89 **13**	2.99 **9**	-6.76 **15**	-1.29 **11**	2,01,870.22 **5**	3,866.77 **9**	2,37,037.88 **5**
14	**12**	UCO Bank	-2.82 **14**	-4.91 **13**	12.66 **8**	-18.80 **15**	0.00 **14**	-0.21 **16**	0.29 **15**	-7.15 **15**	-8.80 **16**	-16.02 **16**	2,01,284.51 **6**	2,926.08 **11**	2,31,339.71 **6**
17	**13**	UBI	9.05 **6**	-2.82 **12**	6.69 **12**	100.29 **1**	0.13 **8**	0.06 **10**	4.41 **9**	0.19 **13**	1.05 **13**	-9.02 **15**	1,26,939.25 **13**	1,552.89 **15**	1,41,053.11 **14**
15	**14**	IOB	-5.87 **16**	-12.68 **16**	19.79 **5**	26.50 **11**	-0.07 **16**	0.01 **14**	-2.49 **16**	-7.22 **16**	13.01 **8**	-2.98 **12**	2,11,342.63 **4**	3,650.20 **10**	2,47,167.49 **4**
16	**15**	Dena Bank	-2.97 **15**	-11.85 **15**	9.18 **10**	50.25 **3**	0.00 **15**	0.07 **9**	1.17 **14**	-2.19 **14**	1.71 **12**	-7.81 **14**	1,13,942.77 **15**	1,390.21 **16**	1,29,623.54 **15**
10	**16**	Bank of Maharashtra	0.05 **12**	-11.20 **14**	5.34 **14**	-22.09 **16**	0.04 **13**	0.06 **11**	5.98 **7**	2.41 **10**	4.82 **11**	-3.07 **13**	1,39,052.84 **11**	1,827.07 **14**	1,59,323.98 **12**

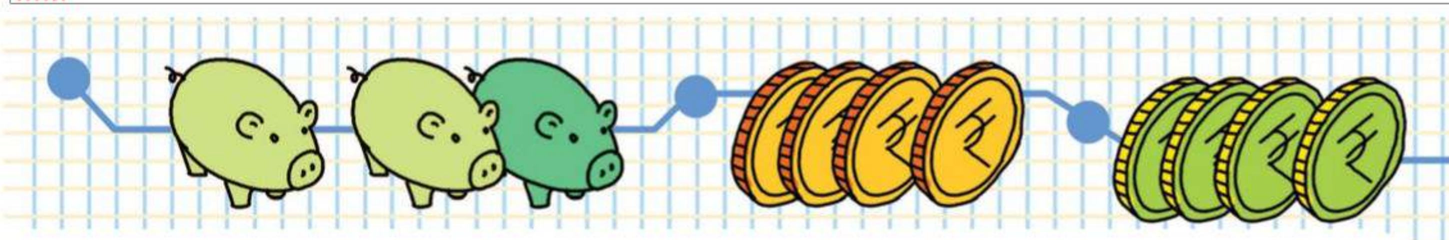
Three-year growth is Compound Annual Growth Rate; Values are rounded off; NPA: Non-performing Assets; CASA: Current Account Savings Account; CAR: Capital Adequacy Ratio; ROCE: Return on Capital Employed; NIM: Net Interest Margin;^RA: Restructured Assets/Total Average Loans and Advances; ORA: Outstanding Restructured Assets; @Rankings are based on the next decimal place number; For explanation of parameters and how the total score was arrived at, see *How We Did It*, page 102; Divergence in gross NPAs & provisioning for NPAs parameters were added in the 2017 survey; NA: not applicable; **Have come from Small Indian Banks to Mid Size Category; #Have come from Large Indian Banks to Mid Size Category



QUALITY OF ASSETS							PRODUCTIVITY AND EFFICIENCY				QUALITY OF EARNINGS				CAPITAL ADEQUACY		
Total NPA Growth Ratio (%)	NPA Coverage (%)	Net NPA / Net Advances (%)	Diver-gence in Gross NPAs (%)	Diver-gence in Provision for NPAs (%)	RA /Avg loans^ (%)	ORA/out-standing loans and advances (%)	Cost / Income Ratio	Cost / Avg Asset Ratio (%)	Absolute Increase in Return on Assets @	Increase in (Operat-ing Profit / Total Income) %	Return on Assets (%)	Fee Income / Total Income (%)	ROCE (%)	NIM (%)	CAR (%)	Tier-I (%)	TOTAL SCORE
1.41	51.99	1.26	0.00	0.00	0.14	0.63	0.48	2.76	0.01	32.86	1.68	11.39	13.23	4.4	16.77	15.90	**1327.37**
1	**2**	**3**	**1**	**1**	**5**	**4**	**7**	**15**	**2**	**6**	**3**	**3**	**3**	**1**	**2**	**1**	
2.28	46.88	0.81	458.42	33.79	0.04	0.46	0.41	2.16	0.00	7.09	1.75	16.25	18.58	3.32	17.00	13.30	**1233.25**
4	**3**	**2**	**16**	**9**	**2**	**2**	**2**	**14**	**11**	**12**	**2**	**1**	**1**	**3**	**1**	**3**	
1.42	58.39	0.39	66.01	10.69	0.07	0.43	0.47	2.98	0.00	7.47	1.78	16.00	14.96	4.14	15.31	14.72	**1182.61**
2	**1**	**1**	**15**	**6**	**4**	**1**	**6**	**16**	**12**	**11**	**1**	**2**	**2**	**2**	**3**	**2**	
1.64	43.68	1.28	0.00	0.00	0.34	1.63	0.53	2.11	0.00	18.53	0.79	6.61	9.75	3.09	12.39	11.81	**973.24**
3	**5**	**4**	**1**	**1**	**7**	**5**	**11**	**13**	**8**	**9**	**4**	**8**	**4**	**4**	**6**	**5**	
2.59	38.41	4.39	0.00	0.00	0.93	5.73	0.46	1.59	0.00	30.31	0.67	6.01	8.41	2.54	13.64	12.20	**967.23**
5	**11**	**6**	**1**	**1**	**13**	**9**	**4**	**4**	**6**	**7**	**5**	**11**	**6**	**6**	**4**	**4**	
3.15	34.90	4.36	3.93	38.10	0.02	0.46	0.53	1.82	0.00	44.36	0.50	5.93	9.51	2.49	12.73	9.96	**956.01**
6	**14**	**5**	**6**	**12**	**1**	**3**	**10**	**10**	**7**	**3**	**6**	**12**	**5**	**7**	**5**	**6**	
4.06	40.03	5.21	5.36	25.96	0.42	3.63	0.57	1.81	0.01	26.49	0.12	5.79	2.63	2.19	12.03	9.26	**931.74**
7	**8**	**7**	**8**	**8**	**9**	**7**	**12**	**9**	**1**	**8**	**9**	**13**	**9**	**9**	**8**	**7**	
5.53	30.44	8.33	18.46	139.75	0.95	8.78	0.41	1.29	0.00	34.44	0.23	6.67	4.66	1.97	11.32	8.90	**912.36**
9	**16**	**9**	**13**	**14**	**14**	**11**	**1**	**2**	**3**	**5**	**7**	**7**	**7**	**14**	**12**	**11**	
7.03	41.40	7.57	13.85	34.06	1.37	5.62	0.44	1.64	0.00	4.61	0.08	7.01	1.56	2.78	12.38	1.48	**903.84**
10	**6**	**8**	**11**	**10**	**15**	**8**	**3**	**5**	**13**	**13**	**10**	**5**	**10**	**5**	**7**	**16**	
7.97	38.22	8.95	13.01	252.18	0.73	11.19	0.46	1.42	0.00	17.25	-0.44	6.04	-7.45	2.14	11.64	8.88	**760.14**
12	**12**	**12**	**10**	**15**	**12**	**15**	**5**	**3**	**15**	**10**	**12**	**10**	**12**	**10**	**9**	**12**	
7.53	35.07	8.91	7.53	34.72	0.21	3.09	0.51	1.70	0.00	-4.20	-0.13	6.77	-2.13	2.36	11.45	8.49	**713.25**
11	**13**	**10**	**9**	**11**	**6**	**6**	**9**	**6**	**9**	**14**	**11**	**6**	**11**	**8**	**10**	**13**	
8.07	46.37	8.94	0.00	0.00	0.64	11.03	0.51	1.26	0.00	-11.24	-0.78	3.47	-14.64	1.74	10.93	8.27	**628.39**
13	**4**	**11**	**1**	**1**	**11**	**14**	**8**	**1**	**5**	**15**	**14**	**16**	**14**	**15**	**15**	**14**	
5.27	39.46	9.97	16.75	88.45	0.06	14.74	0.62	1.89	0.00	96.67	0.16	4.66	3.12	1.58	11.14	8.94	**613.19**
8	**9**	**13**	**12**	**13**	**3**	**16**	**16**	**12**	**4**	**1**	**8**	**15**	**8**	**16**	**14**	**10**	
8.63	40.32	14.06	3.89	18.54	1.86	10.34	0.57	1.88	0.00	42.69	-1.31	9.43	-23.23	2.11	10.50	8.21	**583.61**
14	**7**	**16**	**5**	**7**	**16**	**13**	**13**	**11**	**14**	**4**	**16**	**4**	**16**	**11**	**16**	**15**	
8.74	38.65	10.66	5.10	5.99	0.49	8.99	0.62	1.73	0.00	49.32	-0.66	5.10	-11.65	2.00	11.39	9.05	**536.01**
15	**10**	**14**	**7**	**5**	**10**	**12**	**15**	**7**	**10**	**2**	**13**	**14**	**13**	**13**	**11**	**8**	
8.98	33.71	11.76	53.00	501.75	0.41	7.04	0.61	1.78	-0.01	-19.21	-0.86	6.07	-16.98	2.08	11.18	9.01	**407.76**
16	**15**	**15**	**14**	**16**	**8**	**10**	**14**	**8**	**16**	**16**	**15**	**9**	**15**	**12**	**13**	**9**	

14.96%

INDUSIND BANK'S ROCE, AMONG THE HIGHEST IN MID-SIZED BANKS, WHICH IS REFLECTED IN ITS MARKET CAP

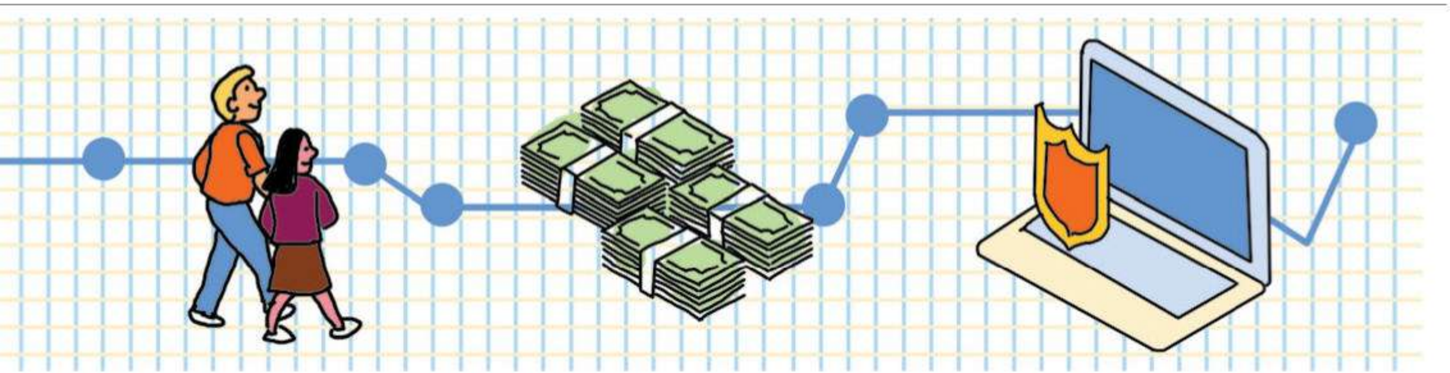


GROUP-III/ SMALL INDIAN BANKS

With balance sheet size less than or equal to ₹1,00,000 crore

			GROWTH (%)										SIZE (₹ CR)		
Rank 2015/16	Rank 2016/17	Bank Name	Growth in Total Deposits	Growth in Loans and Advances	Growth in Fee Income	Growth in Operating Profit	Absolute increase in Market Share of Deposits	Absolute increase in Market Share of CASA	3 year CAGR of Total Deposits	3 year CAGR of Loans and Advances	3 year CAGR of Fee Income	3 year CAGR of Operating Profit	Deposits	Operating Profit	Balance Sheet Size
3	**1**	RBL Bank	42.05 **1**	38.72 **1**	49.34 **1**	69.69 **3**	10.40 **2**	5.54 **1**	43.94 **1**	44.13 **1**	41.12 **1**	72.70 **2**	34,588.09 **6**	920.41 **7**	48,674.77 **6**
5	**2**	DCB Bank	29.23 **2**	22.41 **2**	18.16 **3**	19.82 **7**	4.55 **7**	1.41 **7**	23.16 **2**	24.79 **2**	20.45 **2**	30.55 **3**	19,289.21 **9**	418.21 **9**	24,046.38 **9**
2	**3**	City Union Bank	10.89 **6**	13.18 **4**	-2.19 **7**	19.26 **8**	3.52 **8**	1.27 **8**	11.01 **6**	13.98 **4**	7.50 **8**	19.59 **6**	30,115.74 **8**	993.74 **6**	35,270.78 **7**
9	**4**	South Indian Bank	18.66 **4**	12.91 **5**	24.64 **2**	38.14 **5**	11.35 **1**	2.61 **4**	11.66 **5**	8.59 **6**	16.76 **3**	11.16 **10**	66,117.49 **3**	1,214.60 **4**	74,312.15 **3**
1	**5**	Karur Vysya Bank	7.23 **7**	4.67 **7**	-3.43 **9**	20.56 **6**	4.75 **5**	2.77 **3**	7.06 **7**	6.37 **7**	8.28 **6**	23.31 **5**	53,699.81 **5**	1,570.97 **1**	61,807.62 **5**
6	**6**	Karnataka Bank	12.37 **5**	9.15 **6**	7.70 **5**	16.53 **9**	7.26 **3**	2.07 **5**	11.81 **4**	9.29 **5**	10.24 **5**	13.17 **9**	56,733.11 **4**	995.80 **5**	64,126.55 **4**
8	**7**	Lakshmi Vilas Bank	20.14 **3**	20.80 **3**	-2.40 **8**	55.74 **4**	5.54 **4**	1.57 **6**	18.05 **3**	22.56 **3**	10.35 **4**	27.07 **4**	30,553.35 **7**	634.06 **8**	35,244.72 **8**
12	**8**	Dhanlaxmi Bank	-0.53 **10**	-7.28 **10**	10.14 **4**	18706.90 **1**	0.24 **10**	-0.06 **10**	-2.36 **11**	-6.70 **11**	7.04 **9**	149.44 **1**	11,293.68 **11**	94.07 **11**	12,333.12 **11**
10	**9**	J&K Bank	4.43 **8**	-0.75 **9**	0.91 **6**	-22.40 **11**	4.72 **6**	3.36 **2**	1.48 **9**	2.41 **8**	4.73 **10**	-12.01 **11**	72,463.09 **2**	1,294.33 **2**	82,018.67 **2**
NA	**10**	Punjab & Sind Bank*	-6.26 **11**	-8.73 **11**	-5.66 **10**	-2.21 **10**	-3.09 **11**	-2.15 **11**	0.32 **10**	0.63 **9**	2.07 **11**	15.76 **8**	85,540.16 **1**	1,241.88 **3**	96,643.44 **1**
13	**11**	Catholic Syrian	3.28 **9**	3.39 **8**	-13.51 **11**	4149.80 **2**	0.82 **9**	0.70 **9**	2.93 **8**	-2.31 **10**	7.95 **7**	16.75 **7**	14,911.56 **10**	151.71 **10**	16,223.22 **10**

Three-year growth is Compound Annual Growth Rate; Values are rounded off; NPA: Non-performing Assets; CASA: Current Account Savings Account; CAR: Capital Adequacy Ratio; ROCE: Return on Capital Employed; NIM: Net Interest Margin;^RA: Restructured Assets/Total Average Loans and Advances; ORA: Outstanding Restructured Assets; @Rankings are based on the next decimal place number; For explanation of parameters and how the total score was arrived at, see *How We Did It*, page 102; Divergence in gross NPAs & provisioning for NPAs parameters were added in the 2017 survey; NA: not applicable; *Banks have come from Mid-sized Indian Banks to Small category



QUALITY OF ASSETS							PRODUCTIVITY AND EFFICIENCY				QUALITY OF EARNINGS						
Total NPA Growth Ratio (%)	NPA Coverage (%)	Net NPA / Net Advances (%)	Divergence in Gross NPAs (%)	Divergence in Provision for NPAs (%)	RA /Avg loans^ (%)	ORA/outstanding loans and advances (%)	Cost / Income Ratio	Cost / Avg Asset Ratio (%)	Absolute Increase in Return on Assets @	Increase in (Operating Profit / Total Income) %	Return on Assets (%)	Fee Income / Total Income (%)	ROCE (%)	NIM (%)	CAR (%)	Tier I (%)	TOTAL SCORE
2.11	46.77	0.64	169.91	46.98	0.02	0.15	0.53	2.41	0.00	22.84	1.02	11.70	12.18	2.87	13.72	11.39	**819.74**
2	**4**	**1**	**11**	**8**	**3**	**1**	**5**	**8**	**3**	**5**	**2**	**1**	**4**	**6**	**3**	**6**	
1.82	49.97	0.79	0.00	0.00	0.18	0.16	0.60	2.91	0.00	-1.13	0.93	8.34	9.99	3.92	13.76	11.87	**723.24**
1	**2**	**2**	**1**	**1**	**4**	**2**	**9**	**11**	**10**	**10**	**4**	**3**	**6**	**1**	**2**	**3**	
2.14	39.64	1.71	19.23	3.51	0.26	1.05	0.41	2.05	0.00	9.36	1.50	7.61	15.18	3.63	15.83	15.35	**723.10**
3	**5**	**4**	**6**	**6**	**8**	**3**	**1**	**4**	**5**	**7**	**1**	**5**	**1**	**2**	**1**	**1**	
3.88	39.25	1.45	35.10	62.54	0.20	1.23	0.49	1.71	0.00	27.86	0.57	6.38	9.03	2.63	12.37	10.88	**678.50**
8	**6**	**3**	**9**	**9**	**5**	**5**	**3**	**2**	**7**	**4**	**7**	**7**	**7**	**8**	**6**	**7**	
3.33	28.89	2.53	19.40	18.65	0.28	2.20	0.45	2.13	0.00	15.77	1.00	8.41	12.61	3.57	12.54	11.85	**659.99**
6	**9**	**6**	**7**	**7**	**9**	**7**	**2**	**6**	**6**	**6**	**3**	**2**	**3**	**3**	**5**	**4**	
3.80	36.77	2.63	0.00	0.00	0.22	3.69	0.57	2.16	0.00	7.60	0.75	8.11	10.24	2.65	13.30	12.21	**636.77**
7	**7**	**8**	**1**	**1**	**6**	**10**	**7**	**7**	**8**	**8**	**6**	**4**	**5**	**7**	**4**	**2**	
2.75	26.62	1.76	0.00	0.00	0.24	3.26	0.51	2.04	0.00	33.58	0.80	6.75	13.13	2.57	10.38	8.75	**627.76**
5	**10**	**5**	**1**	**1**	**7**	**9**	**4**	**3**	**4**	**3**	**5**	**6**	**2**	**9**	**10**	**10**	
2.31	47.15	2.58	0.00	0.00	0.00	1.34	0.79	2.81	0.02	19975.11	0.10	5.98	2.13	2.92	10.26	9.01	**498.15**
4	**3**	**7**	**1**	**1**	**1**	**6**	**11**	**10**	**1**	**1**	**9**	**8**	**9**	**5**	**11**	**9**	
6.56	57.09	4.87	79.04	124.36	6.96	12.81	0.57	2.11	-0.03	-20.57	-2.01	4.70	-26.98	3.39	10.80	8.70	**433.00**
11	**1**	**9**	**10**	**11**	**11**	**11**	**8**	**5**	**11**	**11**	**11**	**10**	**11**	**4**	**9**	**11**	
4.74	29.90	7.50	27.48	69.62	0.58	2.55	0.55	1.50	0.00	3.07	0.20	3.24	3.32	2.32	11.05	9.14	**426.49**
9	**8**	**11**	**8**	**10**	**10**	**8**	**6**	**1**	**9**	**9**	**8**	**11**	**8**	**10**	**8**	**8**	
4.95	24.78	5.51	0.00	0.00	0.00	1.12	0.74	2.78	0.01	4074.86	0.01	4.71	0.16	2.15	12.15	11.54	**423.26**
10	**11**	**10**	**1**	**1**	**2**	**4**	**10**	**9**	**2**	**2**	**10**	**9**	**10**	**11**	**7**	**5**	

7.50%

PUNJAB AND SIND BANK'S NET NPAs, THE HIGHEST, WHICH IS EATING AWAY CAPITAL AND IMPACTING ITS PROFITABILITY

GROUP-IV/ LARGE FOREIGN BANKS

With balance sheet size more than or equal to ₹25,000 crore

Rank 2015/16	Rank 2016/17	Bank Name	GROWTH (%) Growth in Total Deposits	Growth in Loans and Advances	Growth in Fee Income	Growth in Operating Profit	Absolute increase in Market Share of Deposits	Absolute increase in Market Share of CASA	3 year CAGR of Total Deposits	3 year CAGR of Loans and Advances	3 year CAGR of Fee Income	3 year CAGR of Operating Profit	SIZE (₹ CR) Deposits	Operating Profit	Balance Sheet Size
3	**1**	Bank of America N.A.	46.88 **1**	10.57 **2**	10.02 **2**	18.01 **4**	6.17 **3**	1.34 **2**	33.26 **1**	17.04 **2**	-1.72 **4**	5.70 **7**	19,151.48 **7**	1,433.16 **6**	34,845.13 **7**
4	**2**	Citibank N.A	3.80 **5**	-10.87 **4**	18.93 **1**	10.17 **6**	6.21 **2**	4.52 **1**	9.92 **5**	-0.99 **9**	11.06 **1**	6.59 **4**	1,04,018.97 **1**	6,787.99 **1**	1,48,390.72 **1**
2	**3**	JPMorgan Chase N.A.	-0.28 **6**	-19.85 **8**	-17.33 **7**	20.64 **3**	0.39 **7**	-2.6 **7**	7.72 **6**	22.12 **1**	2.52 **2**	6.32 **5**	16,598.05 **8**	1,707.62 **5**	28,967.70 **8**
6	**4**	HSBC	-1.05 **7**	-15.83 **6**	-10.36 **5**	22.34 **1**	1.39 **6**	-14.12 **9**	6.66 **7**	4.79 **7**	-4.68 **6**	15.93 **3**	87,024.16 **2**	4,259.44 **3**	1,30,475.21 **3**
5	**5**	BNP Paribas	4.49 **4**	-11.36 **5**	5.65 **3**	1.84 **7**	1.52 **5**	-1.05 **4**	22.88 **2**	12.54 **4**	0.28 **3**	21.60 **1**	23,079.62 **6**	679.18 **8**	42,299.18 **6**
9	**6**	Standard Chartered	6.55 **3**	3.15 **3**	4.02 **4**	-0.75 **8**	6.63 **1**	-8.00 **8**	3.57 **8**	0.10 **8**	-12.65 **8**	-2.72 **9**	80,115.79 **3**	4,904.17 **2**	1,44,988.81 **2**
1	**7**	Barclays Bank Plc	-30.48 **9**	-34.11 **9**	-27.10 **9**	17.49 **5**	-4.01 **9**	-2.00 **5**	-1.01 **9**	10.70 **5**	-18.89 **9**	5.71 **6**	10,531.78 **9**	987.10 **7**	28,355.73 **9**
7	**8**	Deutsche Bank AG	-11.07 **8**	-18.87 **7**	-10.69 **6**	-0.82 **9**	-3.49 **8**	-2.09 **6**	14.18 **4**	6.54 **6**	-4.48 **5**	18.87 **2**	38,871.91 **4**	2,425.24 **4**	76,068.51 **4**
8	**9**	DBS Bank	15.21 **2**	23.71 **1**	-17.80 **8**	21.39 **2**	4.00 **4**	0.76 **3**	15.52 **3**	12.95 **3**	-5.12 **7**	-0.90 **8**	26,990.97 **5**	522.21 **9**	44,542.06 **5**

GROUP-V/ MID-SIZED FOREIGN BANKS

With balance sheet size of ₹5,000-25,000 crore

2	**1**	Credit Suisse AG	-56.35 **7**	-39.56 **7**	47.69 **2**	57.13 **1**	-3.43 **7**	1.16 **1**	-17.82 **7**	8.63 **4**	13.45 **3**	45.36 **1**	2,923.57 **5**	407.34 **2**	6,825.65 **5**
5	**2**	Bank of Tokyo-Mitsubishi UFJ	35.37 **1**	22.86 **2**	53.41 **1**	26.37 **2**	3.04 **1**	0.89 **2**	32.87 **2**	16.74 **3**	21.69 **1**	6.30 **2**	11,326.98 **1**	709.81 **1**	19,984.22 **1**
3	**3**	Shinhan Bank	13.97 **4**	34.43 **1**	33.05 **3**	11.44 **3**	0.59 **4**	-0.29 **5**	31.71 **3**	46.87 **1**	13.24 **4**	6.26 **3**	4,242.57 **3**	128.04 **6**	6,193.38 **7**
1	**4**	Mizuho Bank	14.52 **3**	-17.16 **3**	16.01 **4**	-19.51 **5**	0.88 **2**	0.06 **3**	46.55 **1**	2.43 **5**	16.32 **2**	-6.51 **5**	6,103.98 **2**	305.79 **3**	12,970.36 **2**
8	**5**	ANZ	29.63 **2**	-23.40 **6**	-52.30 **7**	-16.89 **4**	0.68 **3**	0.05 **4**	9.66 **5**	-1.80 **6**	-26.37 **6**	-4.84 **4**	2,843.50 **6**	68.56 **7**	6,378.50 **6**
7	**6**	Bank of Nova Scotia	-8.33 **5**	-20.51 **4**	-19.87 **5**	-35.57 **7**	-0.24 **6**	-0.45 **6**	8.21 **6**	-4.48 **7**	-48.19 **7**	-32.02 **7**	4,140.13 **4**	176.11 **4**	8,637.00 **4**
6	**7**	Credit Agricole	-9.88 **6**	-21.57 **5**	-42.23 **6**	-30.00 **6**	-0.14 **5**	-0.77 **7**	21.15 **4**	19.14 **2**	-15.99 **5**	-6.97 **6**	1,850.83 **7**	140.15 **5**	12,747.87 **3**

Three-year growth is Compound Annual Growth Rate (CAGR); Values in each parameter are rounded off; NPA: Non-performing Assets; CASA: Current Account Savings Account; CAR: Capital Adequacy Ratio; ROCE: Return on Capital Employed; NIM: Net Interest Margin;^RA: Restructured assets/Total average loans and advances; ORA: Outstanding restructured assets; @Rankings are based on the next decimal place number; For explanation of parameters and how total score was arrived at, see *How We Did It*, page 102; Divergence in Gross NPAs & provision for NPAs parameters were added in the 2017 survey; NA: not applicable; **Banks have come from Small Indian Banks to Mid-size; #Banks have come from Large Indian Banks to Mid-size

QUALITY OF ASSETS							PRODUCTIVITY AND EFFICIENCY				QUALITY OF EARNINGS				CAPITAL ADEQUACY		
Total NPA Growth Ratio (%)	NPA Coverage (%)	Net NPA / Net Advances (%)	Divergence in Gross NPAs (%)	Divergence in Provision for NPAs (%)	RA /Avg loans^ (%)	ORA/outstanding loans and advances (%)	Cost / Income Ratio	Cost / Avg Asset Ratio (%)	Absolute Increase in Return on Assets @	Increase in (Operating Profit / Total Income) %	Return on Assets (%)	Fee Income / Total Income (%)	ROCE (%)	NIM (%)	CAR (%)	Tier I (%)	TOTAL SCORE
0.85	100.00	0.00	0.00	0.00	0.85	0.81	0.31	1.82	0.00	10.29	2.04	6.40	10.40	3.78	19.24	18.76	**640.12**
4	**1**	**1**	**1**	**1**	**8**	**7**	**3**	**4**	**6**	**4**	**3**	**5**	**4**	**6**	**1**	**1**	
1.37	70.26	0.46	0.00	0.00	0.18	0.19	0.36	2.51	0.00	7.67	2.40	10.15	17.15	5.11	17.63	16.71	**617.63**
6	**6**	**7**	**1**	**1**	**5**	**6**	**4**	**9**	**5**	**5**	**2**	**2**	**1**	**1**	**4**	**4**	
0.72	100.00	0.00	0.00	0.00	1.12	13.21	0.14	0.95	0.01	13.97	3.19	5.94	13.16	4.34	16.47	15.97	**596.75**
3	**1**	**1**	**1**	**1**	**9**	**9**	**1**	**1**	**1**	**2**	**1**	**8**	**2**	**3**	**6**	**5**	
1.11	77.26	0.44	0.00	0.00	0.00	0.04	0.40	2.08	0.00	13.98	1.76	5.94	12.16	4.15	18.76	18.04	**586.87**
5	**5**	**6**	**1**	**1**	**3**	**2**	**7**	**7**	**3**	**1**	**5**	**7**	**3**	**5**	**2**	**2**	
0.00	100.00	0.00	0.00	0.00	0.00	0.06	0.42	1.26	0.00	-8.76	0.90	5.10	7.78	2.62	13.77	11.83	**509.14**
1	**1**	**1**	**1**	**1**	**1**	**4**	**8**	**2**	**8**	**8**	**8**	**9**	**8**	**8**	**9**	**8**	
3.01	98.49	0.18	0.00	0.00	0.37	1.34	0.39	2.27	0.01	-2.81	1.78	13.57	9.55	4.95	14.05	13.43	**504.26**
8	**4**	**4**	**1**	**1**	**6**	**8**	**6**	**8**	**2**	**6**	**4**	**1**	**5**	**2**	**8**	**7**	
0.57	43.20	0.43	0.00	0.00	0.00	0.00	0.29	1.34	0.00	12.26	1.71	7.21	8.18	3.64	17.80	17.29	**459.50**
2	**9**	**5**	**1**	**1**	**1**	**1**	**2**	**3**	**4**	**3**	**6**	**4**	**7**	**7**	**3**	**3**	
2.47	67.06	0.93	259.06	7.57	0.05	0.06	0.36	1.90	0.00	-4.22	1.36	8.25	8.48	4.32	15.38	14.73	**396.12**
7	**7**	**8**	**9**	**9**	**4**	**3**	**5**	**6**	**9**	**7**	**7**	**3**	**6**	**4**	**7**	**6**	
3.05	44.84	2.12	0.00	0.00	0.72	0.09	0.61	1.87	0.00	-10.04	0.03	5.99	0.28	2.01	16.49	11.62	**363.74**
9	**8**	**9**	**1**	**1**	**7**	**5**	**9**	**5**	**7**	**9**	**9**	**6**	**9**	**9**	**5**	**9**	

Three-year growth is Compound Annual Growth Rate (CAGR); Values in each parameter are rounded off; NPA: Non-performing Assets; CASA: Current Account Savings Account; CAR: Capital Adequacy Ratio; ROCE: Return on Capital Employed; NIM: Net Interest Margin;^RA: Restructured assets/Total average loans and advances; ORA: Outstanding restructured assets; @Rankings are based on the next decimal place number; For explanation of parameters and how total score was arrived at, see *How We Did It*, page 102; Divergence in Gross NPAs & provision for NPAs parameters were added in the 2017 survey

0.00	100.00	0.00	0.00	0.00	0.00	0.00	0.16	0.84	0.02	56.38	2.63	1.22	12.72	2.94	34.57	34.20	**548.12**
1	**1**	**1**	**1**	**1**	**2**	**1**	**1**	**1**	**1**	**1**	**2**	**7**	**1**	**5**	**2**	**2**	
0.12	95.88	0.01	0.00	0.00	0.12	0.11	0.26	1.28	0.02	12.75	2.71	13.06	12.50	3.05	23.02	22.64	**522.87**
6	**5**	**5**	**1**	**1**	**7**	**6**	**2**	**4**	**2**	**2**	**1**	**1**	**2**	**4**	**5**	**4**	
0.00	100.00	0.00	0.00	0.00	0.00	0.00	0.37	1.31	0.00	-17.53	1.25	3.64	6.60	3.20	39.48	38.83	**515.12**
1	**1**	**1**	**1**	**1**	**2**	**1**	**4**	**5**	**3**	**4**	**3**	**6**	**3**	**2**	**1**	**1**	
0.00	100.00	0.00	0.00	0.00	0.00	0.00	0.45	1.78	-0.01	-26.81	1.21	8.10	3.85	3.57	30.37	29.97	**507.87**
1	**1**	**1**	**1**	**1**	**2**	**1**	**5**	**6**	**5**	**6**	**4**	**3**	**4**	**1**	**3**	**3**	
0.00	100.00	0.00	0.00	0.00	0.00	0.00	0.68	2.46	-0.00	-6.52	0.61	8.47	2.86	1.95	19.45	19.12	**370.87**
1	**1**	**1**	**1**	**1**	**2**	**1**	**7**	**7**	**4**	**3**	**5**	**2**	**5**	**6**	**6**	**6**	
0.00	87.78	0.76	0.00	0.00	-0.54	1.10	0.36	0.99	-0.01	-17.84	-0.12	6.69	-0.66	1.75	23.38	22.59	**310.53**
5	**6**	**6**	**1**	**1**	**1**	**7**	**3**	**3**	**6**	**5**	**6**	**4**	**6**	**7**	**4**	**5**	
7.18	25.95	4.64	0.00	0.00	0.00	0.00	0.48	0.98	-0.02	-27.64	-1.15	5.34	-7.81	3.07	16.83	13.00	**264.62**
7	**7**	**7**	**1**	**1**	**2**	**1**	**6**	**2**	**7**	**7**	**7**	**5**	**7**	**3**	**7**	**7**	

HOW WE DID IT

The process to choose the best in banking was extensive as well as thorough.

PHOTOGRAPHS BY RACHIT GOSWAMI

This year was special as Business Today-KPMG decided to introduce fintech awards for the first time. The reason was simple. The bank-fintech collaboration is gaining momentum. Three fintech awards – Payments, Lending and Value Added Services – were introduced. The credentials of the contenders, along with those for three qualitative best bank awards – Financial Inclusion, Digital and Fintech Initiatives – including the best overall bank were put before the five-member jury of eminent professionals from diverse backgrounds.

Shailesh Haribhakti, Founder & Chief Mentor of Baker Tilly DHC Pvt. Ltd. and of Haribhakti & Co. LLP (Chartered Accountant) is a well-known name in the corporate world. Leo Puri, Managing Director, UTI Asset Management Company, was a consultant with McKinsey earlier. Neeraj Swaroop, who earlier headed StanChart in India, went on to become CEO (ASEAN), Standard Chartered Plc, before retiring. We had two experts from the technology and payments space. T.R. Ramachandran, Country Manager, India and South Asia, Visa, and Venkatachalam Ramaswamy, Regional Managing Director – India & South Asia, FIS, gave insights into technology infrastructure, payments trends and digitisation progress in the banking industry. In a two-hour meeting in the Mumbai office, the jury discussed at length the top three players in each category.

The meeting started with the KPMG team making a presentation on the scoring methodology for the

qualitative awards. The banks were scored on a scale of 100 on select parameters in each of the categories in Financial Inclusion, Best Digital, Fintech Initiatives and Innovation. In the Financial Inclusion category, KPMG looked at customer outreach, customers on-boarded, financial literacy and technology adoption. The largest bank, State Bank of India, was a clear winner. Under fintech engagement, KPMG analysed fintech association, especially customer experience & operational initiatives, level of adoption, uniqueness of the initiative and impact of the initiative. ICICI emerged the clear winner. In the innovation area, similar parameters of area of innovation and level of adoption, along with impact and uniqueness of innovation, were taken into consideration. HDFC Bank emerged the winner in the Best Innovation category. But the jury also took note of two other banks – Axis Bank and StanChart – for their work in the digital space. Finally, the jury had to take a decision on the Best Bank Overall. KPMG explained its methodology for analysing the quantitative numbers based on growth, size and strength parameters. HDFC Bank was already a winner in the quantitative category. Its strong financials made it easy for the jury to pick it up as the Best Overall Winner.

The discussion then shifted to Fintech start-ups where KPMG scored them on a scale of 100. The key parameters considered for scoring were financial health and years of existence, funding maturity and equity raised, differentiation in terms of business model & technology, level of adoption

SITTING (LEFT TO RIGHT): LEO PURI, MD, UTI ASSET MANAGEMENT COMPANY; SHAILESH HARIBHAKTI, FOUNDER & CHIEF MENTOR OF BAKER TILLY DHC PVT. LTD. AND OF HARIBHAKTI & CO. LLP; NEERAJ SWAROOP, FORMER CEO (ASEAN), STANDARD CHARTERED PLC.

STANDING (LEFT TO RIGHT): PROSENJIT DATTA, EDITOR, BUSINESS TODAY; VENKATACHALAM RAMASWAMY, REGIONAL MANAGING DIRECTOR – INDIA & SOUTH ASIA, FIS; T.R. RAMACHANDRAN, COUNTRY MANAGER, INDIA AND SOUTH ASIA, VISA

THE KPMG TEAM: SITTING (LEFT TO RIGHT): KPMG PARTNERS NARESH MAKHIJANI HARSHVARDHAN BISHT STANDING (LEFT TO RIGHT): CHARTERED ACCOUNTANTS VAIBHAV SHAH, MANOJ V. KUMAR AND KPMG DIRECTOR SHRAVAN SHETTY

(customers, presence, etc) and, finally, business volumes. The payments cohort was further divided into three sub-segments – MPoS/PoS, wallets and payment gateways. PayTM was a clear winner in this category. Under the lending category, there were 15 start-ups that competed; Bankbazar emerged as the winner. The VAS, or value-added services, category saw 11 start-ups compete for the top honour; Perfios Software was the clear winner. For more on the top three players in jury discussions, please turn to 'The Rankings – Jury Awards.'

QUANTITATIVE WINNERS

Methodology – BT KPMG Best Bank Survey 2017

For rankings based on pure financial performance, data was taken from published annual reports of banks for period from 2013/14 to 2016/17. The survey covered 63 scheduled commercial banks that had annual reports published in public domain or provided their annual reports at the time of conducting the survey prior to October 31, 2017.

Scheduled commercial banks which had a balance sheet of less than ₹5,000 crore on March 31, 2017, were not considered. Further, scheduled commercial banks whose financial statements were not available to us or banks which had not completed four years of operations in India as on March 31, 2017, or which had merged with other banks, did not form part of the survey.

The Ranking Process

Banks have been divided between 'Indian Banks' (consisting of public and private sector banks) and 'Foreign Banks' (branches of foreign banks operating in India). The banks in each of the above mentioned categories are further classified on the basis of balance sheet size as on March 31, 2017. Accordingly, we have classified the banks into the following groups:

Group I: Indian banks with balance sheet more than or equal to ₹3,00,000 crore;

Group II: Indian banks with balance sheet size more than ₹1,00,000 crore and less than ₹3,00,000 crore;
Group III: Indian banks with balance sheet size less than or equal to ₹1,00,000 crore;
Group IV: Foreign banks with balance sheet size more than or equal to ₹25,000 crore;
Group V: Foreign banks with balance sheet size less than ₹25,000 crore and more than ₹5,000 crore.

Ranking Parameters

The three broad ranking parameters – Growth, Size and Strength – have been divided into 30 sub-parameters which are as follows:

A. Growth

There are five sub-parameters in this category, which include growth over 2015/16 in deposits, alongside three-year Compounded Annual Growth Rate, or CAGR, of total deposits; growth over 2015/16 in loans and advances, alongside three-year CAGR in loans and advances; growth over 2015/16 in fee income (commission, exchange, brokerage plus miscellaneous income), alongside three-year CAGR in fee income; growth over 2015/16 in operating profit, alongside three-year CAGR in operating profit; and absolute increase in market share of deposits and of current account savings account balances.

B. Size

There are three sub-parameters in this category, which include size of total deposits, size of operating profit and size of balance sheet for 2016/17.

C. Strength

There are four overarching sub-parameters in this category, each with further sub-divisions as set out below.

a. **Quality of Assets:** Total NPA growth ratio: Addition to NPAs during the year as percentage of average net advances; NPA coverage: provisioning for NPA as percentage of gross NPA closing balance; net NPAs as ratio of net advances: gross NPAs net of provisioning expressed as percentage of net advances; divergence in gross NPAs: difference between gross NPAs as per RBI and reported by bank as percentage of addition to NPAs during the year; divergence in provisioning for NPAs: difference in provision for NPAs as per RBI and reported by bank as percentage of net profit reported during the year; restructured assets as ratio of total average loans and advances; outstanding restructured assets as percentage of outstanding loans and

advances.

For determining the rankings based on the provision coverage ratio parameter, divergence in gross NPAs and provision for NPAs; banks having zero NPAs are assigned the highest rank in that parameter.

b. Productivity and efficiency: Cost to income ratio: Operating expenditure as percentage of operating income; cost to average asset ratio: operating expenditure as percentage of average assets; absolute increase in return on assets: basis points increase in return on assets (net profit over total average assets) from 2015/16 to 2016/17; percentage increase in ratio of operating profit to total income from 2015/16 to 2016/17.

c. Quality of earnings: Return on assets: Ratio of net profit to total assets for 2016/17; fee income as percentage of total income; return on capital employed: reported net profit divided by average net worth; net interest margin: total interest income minus total interest expenses as percentage of average interest earning assets.

d. Capital adequacy: Capital adequacy ratio: Capital-to-risk weighted assets ratio for 2016/17; Tier-I capital: total of equity capital and disclosed reserves.

Final Scoring/Rating

For each bank, a score is assigned for each of the 30 sub-parameters, based on its rank on those parameters. The score under each parameter is then multiplied by the parameter's weight to arrive at the final score for a bank. The results are aggregated to arrive at the final rankings based on the total score.

Changes from Previous Year's Survey

Two new sub-parameters, that is, divergence in gross NPA ratio and divergence in NPA ratio, have been added in the current year under the Strength parameter and, accordingly, the weights have been realigned within the same parameter.

Banks Not Considered

In total, nine banks were not considered for the survey in 2016/17 for reasons mentioned below.

Rabobank International, Abu Dhabi Commercial Bank Ltd., First Rand Bank Ltd, Bank of Bahrain & Kuwait BSC, ICBC, State Bank of Mauritius, United Overseas Bank, Societe Generale's: Balance Sheet size less than ₹5,000 crore.

Tamilnad Mercantile Bank Ltd: Non-availability of complete financials for 2016/17 for the bank in public domain. BT

FORM – IV

Place of Publication:	New Delhi
Periodicity of its Publication:	Fortnightly
Printer's Name:	Manoj Sharma
Nationality:	Indian
Address:	A-3/723,Tower -8 Silver City, Sector-93, Noida-201301
Publisher's Name:	Manoj Sharma
Nationality:	Indian
Address:	A-3/723,Tower-8 Silver City, Sector-93, Noida-201301
Editor's Name:	Prosenjit Datta
Nationality:	Indian
Address:	D-189, Vivek Vihar, Delhi-110095

Names and Addresses of individuals who own the newspaper and partners or shareholders holding more than one per cent of the total capital:

Owner: M/s. Living Media India Limited, K – 9, Connaught Circus, New Delhi – 110 001

Shareholders holding more than one percent of the total capital of the owner company:

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I, Manoj Sharma, hereby declare that the particulars given above are true to the best of my knowledge and belief.

Date: March 1, 2018

Manoj Sharma

Signature of Publisher

INDIA TODAY Tourism Awards

Welcome to the myriad facets of Indian traditions, culture and vibrant geographies. With Indian tourism branched into several forms, India has a chunk for every kind of traveler. INDIA TODAY TOURISM AWARDS asks India To vote for the 'Best Tourism Destinations'.

ADVENTURE DESTINATIONS

India has emerged as one of the world's most popular places for adventure travel. Here are India's top adventure travel destinations to get your adrenaline pumping.

VOTE

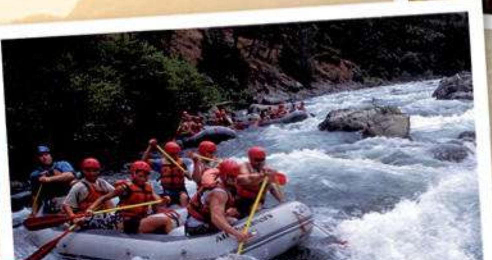
DZUKOU, NAGALAND

Dzukou valley is situated at an altitude of 2452 m above sea level, behind Japfu peak in Kohima, Nagaland. The rare Dzukou Lily is found in this valley also known as valley of flowers. Some of the best trekking and cycling trails within the country are found here.

VALMIKINAGAR TIGER RESERVE, BIHAR

Spread over 800 sq. km. the Vamiki Nagar Tiger Reserve is one of the most renowned in Eastern India. It is home to tigers, leopards, flying foxes, flying squirrels, wild cats, langurs, sloth bears, antelopes, etc. and its tiger population had grown to 22 in 2013. The forest is surrounded by mountains, valleys, gorges and dense grasslands.

VOTE



VOTE

WHITE WATER RAFTING, RISHIKESH, UTTARAKHAND

Rishikesh, the gateway to the Garhwal Himalayas offer great opportunities for white water rafting on the rapids of the Ganges.

To Vote Log on to **http://indiatoday.intoday.in/tourismawards/**

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HILL STATION

Experience sublime tranquility and mysticism. Visit these hilly retreats to beat the scorching heat or to enjoy their heavenly beauty. Soak in the charm of these picturesque and pristine hill stations in India, which make a perfect location for a wonderful and memorable vacation.

AIZAWL, MIZORAM

A city in the lap of nature, Aizawl is set on the ridges of steep hills. The enchanting city overlooks verdant valleys and hills stretching away to the horizon. A peaceful and silent city known for its serene traffic where the most beautiful sunset against the backdrop of its bluish hills is a feast for the eye.

NAMCHI, SIKKIM

78 kms from Gangtok, Namchi, literally means 'top of the sky.' Set in a picturesque location, it offers an unmatched view of the Khangchendzonga range and the Rangit valley. You can visit the Sherdup Choeling Monastery and the Dichen Choeling Monastery. A unique, awe inspiring and gigangtic 135 feet high statue of Guru Padamasambhava is installed atop Sampruptse near Namchi.

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Tourism Awards

HERITAGE DESTINATION

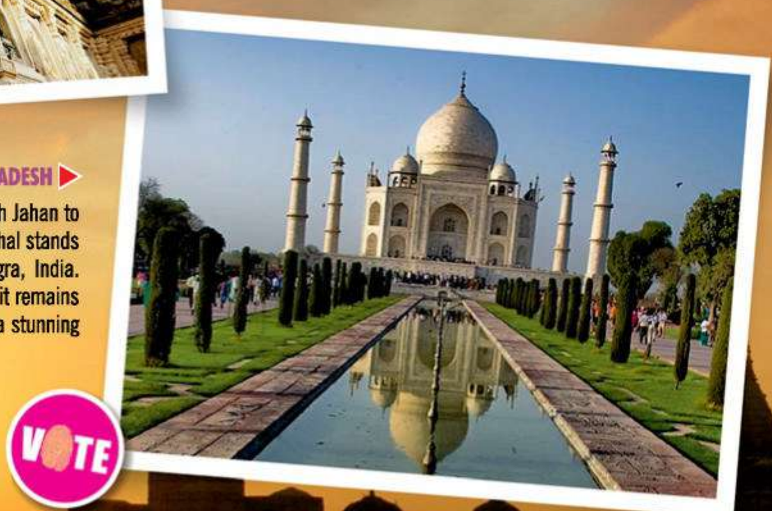
The following Heritage destinations are the bedrock of Indian Culture & Traditions and more than often they are ignored in lieu of glamorous alternatives. Take this chance to reminisce about the beacons of Indian heritage & Culture.

MAHABODHI TEMPLE, BIHAR

The Mahabodhi Temple, a UNESCO World Heritage Site, is an ancient Budhist Temple in Bodh Gaya 115 km south of Patna. Built by Ashoka the Great in 3rd Century BC Mahabodhi Temple Complex is the ultimate pilgrimage destination for Buddhists. It has the Bodhi Tree, a descendant of the original tree, under which Lord Buddha attained enlightenment. Next to it is the Vajrasana, a platform made of polished sandstone where Buddha sat in meditation.

TAJ MAHAL, UTTAR PRADESH

Commissioned in 1632 by the Mughal emperor Shah Jahan to house the remains of his cherished wife, the Taj Mahal stands on the southern bank of the Yamuna River in Agra, India. Designated a UNESCO World Heritage site in 1983, it remains one of the world's most celebrated structures and a stunning symbol of India's rich history.



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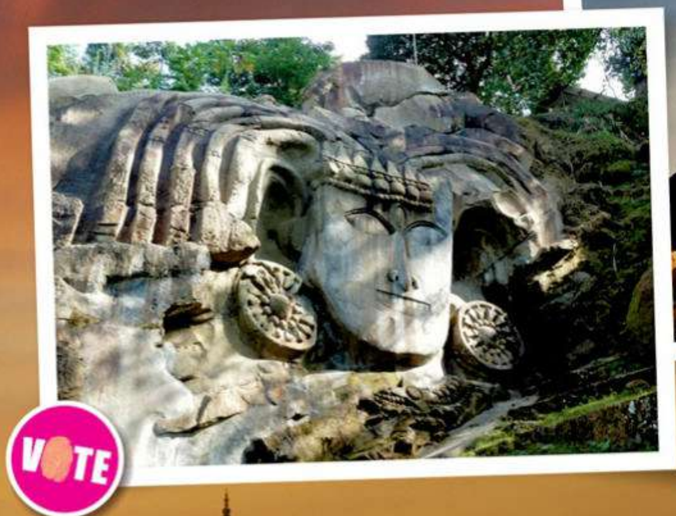
KHONGJOM WAR MEMORIAL, MANIPUR

The Khongjom War Memorial is situated at Kheba Ching at Thoubal District of Manipur, about 35 kms away from Imphal. The War Memorial monument was inaugurated by the then President of India, Shri Pranab Mukherjee on the occasion of the 125th anniversary of the battle. The monument resembles a tripod and depicts the strength, the indomitable spirit and courage of the Manipuris

MAHABALIPURAM, TAMIL NADU

Mahabalipuram, also known as Mamallapuram is located about 60 kms. from Chennai city, this is one of the most visited tourist places of South India. Mahabalipuram's unfinished poetry in stone, the sculptural creation, stands testimony to the unique Dravidian architecture.



UNAKOTI, TRIPURA

Located 186 km from Agartala, Unakoti is a Shaiva pilgrimage attraction dating back to 7th – 9th centuries A.D. The site consists of several huge vertical rock cut carvings on a hill side. Though the site shows strong evidence of Buddhist occupation the figures carved are of Shiva, Ganesha, Durga and Vishnu from the Hindu pantheon. It has the distinction of being the largest bas-relief sculpture in India.

CULTURAL HERITAGE

The Here are India's top Cultural heritage destinations which bridges the gap between the past and the future. A legacy of physical artifacts and intangible attributes that are inherited from past generations, maintained in the present and bestowed for the benefit of future generations.

VOTE

PUDUCHERRY

Away from the hustle and bustle of big cities, Puducherry is a quiet little town on the southern coast of India. The unmistakable French connection, the quaint colonial heritage buildings, the spiritual sceneries and the endless stretches of beaches & backwaters makes it is the perfect place to come if you want to take the pace of life down a few notches.

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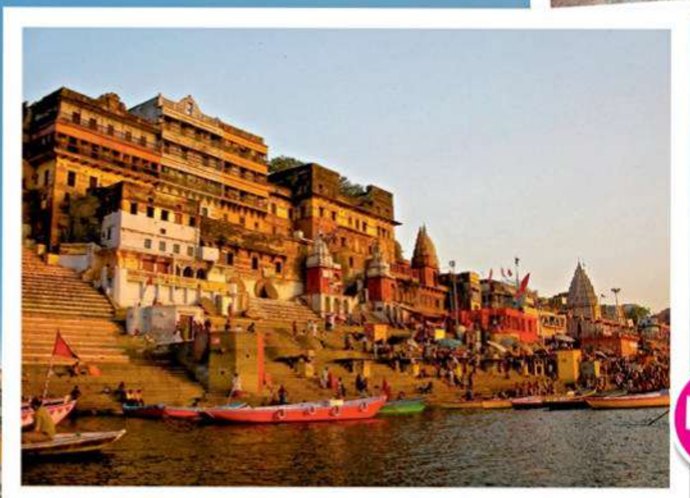
LONAR, MAHARASHTRA

Located in the Buldhana District of Maharashtra, the Lonar Lake is an exceptional 'bowl of biodiversity' and a wildlife sanctuary with a unique ecology that is vastly different from the surrounding flat landscape. Incredibly old at 50,000 years, the Lonar crater is the youngest and best preserved impact crater formed in basalt rock and is the only of its kind on earth.

SIRPUR, CHHATTISGARH

Located in the Mahasamund district of Chhattisgarh Sirpur is a historical site with a rich, ancient legacy and is a vortex of spirituality, especially Buddhism, Jainism and Hinduism. Unmatched stone carvings, along with 22 Shiva temples, 4 Vishnu temples, 10 Buddha Viharas and 3 Jain Viharas, an Ayurveda treatment centre and a 6th century Ayurvedic Snaan Kund (an ancient spa), puts Sirpur in the list of the richest archaeological sites.



BANARAS, UTTAR PRADESH

Banaras is the most visited pilgrimage destination in all of India. One of the seven Holy Cities, one of the twelve Jyotir Linga sites and also a Shakti Pitha site. According to legend, Varanasi was founded by the god Shiva thus making it the most favored place amongst Hindus. The particular river-side location of Banaras is considered especially potent because, in less than ten kilometers, the Ganges is met by two other rivers, the Asi and the Varana.

THE HUB

IT

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PEOPLE POWER

With a string of acquisitions, Ajit Issac's staffing and related solutions provider Quess Corp is now the fourth biggest private employer in the country.

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INTERVIEW

"WE HAVE SOLUTIONS WHICH COULD HELP CITIES LIKE DELHI CONTROL SMOG"

Peder Holk Nielson, CEO of Novozymes, talks about market opportunities and competition.

MANAGEMENT

CORPORATE VCs ARE MOVING THE GOALPOSTS

Conceived as strategic investors, many are focussing on financial returns.

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"Quess has seized opportunities and executed them very well"

PREM WATSA

"Competition has always been there and we welcome it"

AJIT ISAAC

PEOPLE POWER

With a string of acquisitions, Ajit Issac's staffing and related solutions provider Quess Corp is now the fourth biggest private employer in the country.

BY VENKATESHA BABU

PHOTOGRAPH BY DEEPAK G. PAWAR

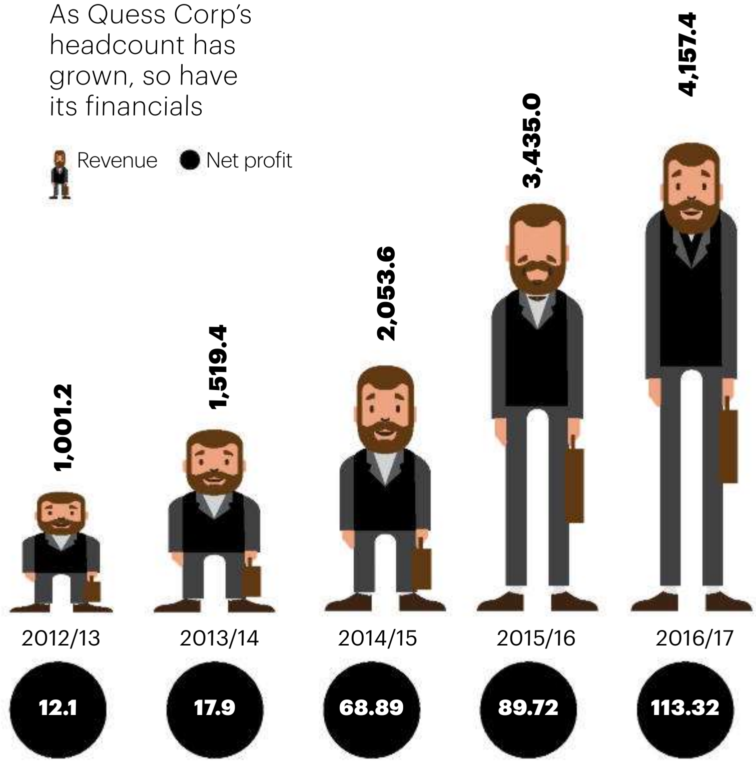
It **is the country's fourth** largest private employer – after Tata Consultancy Services, Reliance Industries and Cognizant – with 241,000 people on its rolls. In just about a decade, it operates in nine countries and has a market cap of more than ₹15,000 crore, which has ballooned so rapidly that an investment of ₹245 in the company in 2013 would now be worth ₹8,500. It had revenues of ₹4,157 crore in 2016/17, growing at a compound annual growth rate (CAGR) of 45 per cent in the last five years, while net profit has risen even faster at a CAGR of 69 per cent. And yet this is a company most people are unlikely to have even heard of.

Its name is Quess Corp and it is India's largest staffing company, housed in an unprepossessing, three storey, grey coloured building in east Bangalore's IT corridor. It provides personnel to a host of industries, from the courier boys who deliver packages for e-tailing companies to the shopping assistants who offer guidance at large retail stores to top level pharma or metallurgical scientists work-

ing in the R&D divisions of leading companies in these sectors. It processes 3,000 job applications a day at its 108 recruiting centres across the country, eventually hiring more than 5,000 every month. And as the response to its June 2016 initial public offering (IPO) showed, in an economy where more and more companies are outsourcing all but their core functions, Quess's jack-of-all-trades role is bringing it major dividends.

SIZE MATTERS

As Quess Corp's headcount has grown, so have its financials



All figures in ₹ crore. Source: Company reports

Unlikely Founder

A human resources role is hardly a solid foundation for becoming a self-made multimillionaire. Yet Quess's current Chairman, CEO and Managing Director, Ajit Issac (49) – who owns a quarter of its shares – has managed just that. Starting as an HR executive with Godrej & Boyce in 1991, moving on to the Essar group and then IDFC in various HR positions, Issac made his first entrepreneurial move in 1998 starting an online jobs portal Go4careers.com, with funding from JP Morgan. Having seen entrepreneurs up close during his stint at IDFC, he had caught the entrepreneurial bug himself.

When the dotcom bubble burst in 2000, Go4careers.com burst with it, but Issac did not give up. Instead he took the same model offline, setting up an HR company, Peopleone Consulting, which provided people for short-term roles, mostly in the multinational companies then just setting up shop in India. Despite his online setback, JP Morgan backed him again, and when Peopleone was finally acquired by Swiss HR major Adecco in 2004, it exited with a five-fold return on its investment.

In his next venture, started as soon as the non-compete period under his deal with Adecco ended, Issac remained true to his area of expertise. He set up IKYA Global – which has since been subsumed under the Quess brand – in 2007, with the ₹160 crore he received as his share while selling Peopleone to Adecco. The name, taken from the Sanskrit 'Aikya' meaning 'oneness' or 'integration', sparked a legal battle with the global furniture brand IKEA, but Issac won the case. IKYA – which still runs the people and services vertical of Quess – remains the company's mainstay with 212,000 employees and contributing 54 per cent to its revenue.

"We have 65 offices across 33 Indian cities from Kashmir to Kerala and Guwahati to Gandhinagar," says Lohit Bhatia, CEO, IKYA. The company supplies staffing to a host of household names in different capacities – HUL, Marico, Samsung, LG, Daikin, Vodafone, Google and more – embracing sectors from retail to telecom to footwear to garments and beyond. The ticket issuer at a metro station, the salesman selling Hush Puppies footwear, the HUL distributor visiting neighbourhood convenience stores, many of the men and women painstakingly identifying and uploading names of roads and locations on Google maps covering India could well all be employees of IKYA. "Any Quess business that does not involve IT or facilities management is handled by IKYA," adds Bhatia.

People Skills

Roping in so many high profile clients calls for establishing a wide network of close contacts – a skill Issac excels at. He believes in the power of relationships, even with those who do not bring any immediate business benefits. "He first met me when he was still running Peopleone and did a pitch for me as a service provider," says Marcel Parker, an HR industry veteran who was then President, HR, at Raymond. "We never did any business together. Yet years later he asked me to join Quess as a mentor. It is this ability of Issac to invest in relationships that has enabled Quess to grow."

The remaining divisions provide solutions other than staffing. To take just one example, Quess, apart from supplying manpower, has invested in Sterlite's copper smelting plant in Tuticorin, Tamil Nadu. "We've put in ₹32 crore in

material handling equipment alone," says Satyakam Basu, CEO of the industrials division of Quess.

But the staffing business, which provides more than half of Quess's revenue, is a tough one, full of people related problems which can arise anytime. "It is a brutally hard business with margins in low single digits and a plethora of large and small competitors," says an analyst with a brokerage who prefers not to be identified. Issac, however, is unfazed. "We're in a range of businesses where margins vary enormously," he says. "Competition has always been there and we welcome it. But we have scale, and an understanding of what it requires to succeed in various segments."

Rush of Acquisitions

Quess has displayed a ravenous appetite for acquisitions, virtually right from its start, picking up 100 per cent stake in eight companies, majority stake in another six while investing heavily in three more. "Acquisitions at the right price have been the key to our success," says Isaac. Analysts seem to agree. A report by Motilal Oswal, for instance, notes that one of Quess's recent acquisition – 51 per cent stake in Tata Business Support Services (TBSS) in November 2017 for ₹153 crore – is a bargain, considering TBSS has a revenue run rate of ₹660 crore for 2017/18, and an operating profit of ₹55 crore. The brokerage house analyst compares Quess's TBSS acquisition with its biggest rival in manpower services, TeamLease. "TeamLease had an operating profit of ₹61.31 crore in 2016/17 against a market cap of ₹3,300 crore," he says. "Quess has acquired a business with profits in the same range at a tenth of the price."

Still senior Quess officials insist that acquisitions are only a part of the company's growth strategy. "Acquisitions are important but core growth will continue to come from organic expansion," says Subrata Nag, Chief Financial Officer, Quess. Amitabh Jaipuria, heading the people and services division, agrees. "Tuck-in acquisitions will continue, but we will never bet on acquisitions," he says. Nag adds that Quess is careful never to disturb the equilibrium in acquired companies. "We will never make a hostile acquisition," he says. "In every case, the team which ran the show before acquisition has continued to do so after we took over."

Some analysts also see a pitfall in Quess's decision to work closely with state governments. It has provided staffing for projects like the Ahmedabad Smart City. "Our exposure to that segment is very low in single digits," says Issac. "We are selective about the smart city projects we take on. We cannot ignore a $15 billion opportunity."

Future Bright

Quess has embraced digitisation, thereby reducing costs. "New employees can download our app and submit relevant documents using a smartphone," says Guruprasad Srinivasan, head of shared services, Quess. "Imagine the savings, considering the number of new employees we take on every month. No human beings are required to do the on-boarding."

Investors are gung-ho about Quess and IKYA, too. Thomas Cook India Ltd (TCIL) (a company owned by Canadian billionaire Prem Watsa and completely distinct from the UK's Thomas Cook) invested ₹245 crore in Quess for a 74 per cent share in 2013. Its value has since zoomed to ₹11,000 crore. Says Watsa: "Quess has seized opportunities and executed them very well."

If further proof was needed, the response to Quess's IPO provided it. It was oversubscribed 147 times, and the scrip, issued at ₹317, currently trades at ₹1,050. "The funds raised have been used for more acquisitions to complete our service bouquet as well as for further digitisation," says Isaac.

He estimates that by 2020, Quess will have a headcount of 450,000 to become perhaps India's largest private employer. But it has to be seen if Quess can sustain such growth even as it emphasises margin accretion. BT

@venkateshababu

"ACQUISITIONS ARE IMPORTANT BUT CORE GROWTH WILL CONTINUE TO COME FROM ORGANIC EXPANSION"

SUBRATA NAG
Chief Financial Officer / Quess

₹245CR

Invested by TCIL in Quess – for 74 per cent share in 2013 – has zoomed to ₹11,100 crore

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“WE HAVE SOLUTIONS WHICH COULD HELP CITIES LIKE DELHI CONTROL SMOG”

Denmark-headquartered Novozymes is one of the world's largest biotech companies and the global leader in industrial enzymes, used in things ranging from laundry detergent and dishwashing soap to baking and brewing. Novozymes, which posted a revenue of $2 billion-plus in 2016, has a client list in India that includes Hindustan Unilever, Nestle, P&G and Colgate. During a recent visit to India, the company's CEO, Peder Holk Nielson, discussed market opportunities and competition with Venkatesha Babu. Edited excerpts:

[redacted]

Q: With presence in five major segments – household care, food and beverages, bioenergy, agriculture and feed, and biopharma – how have you been faring?

PEDER HOLK NIELSON: India is an exciting arena for us, not just from a market perspective but also because we do significant research here. Though China and the United States are much bigger markets, India holds much promise for Novozymes. It currently contributes only low single digits in terms of our overall revenue but is growing very fast.

Food and beverages is a very large unit in India. We have some household care business too, and our textiles business is pretty big. We are hoping to develop our bioenergy business as well as agriculture & feed business, which are still small, here.

How many people do you have in India?

A: Our Indian presence of about 600 employees (roughly 10 per cent of our global workforce of 6,200 employees) is much larger than our

[redacted]

PHOTOGRAPHS BY DEEPAK G. PAWAR

Indian business alone warrants. But we have research and back office operations, which support our global network. The 600 (in India) include those in sales, manufacturing, research and back office operations.

With several FMCG companies, including Colgate, Unilever and P&G, as your customers, have you been able to sell to newer entrants like Patanjali, which has grown large very fast?

A: Yes. A large part of our growth in the food and beverages segment has come from newer players, regional players in emerging markets like India. There is also significant support and interest from the political class about the emergence of a biofuel market in India.

You have been in India longer than China. How does enzyme consumption in these two markets compare?

A: As a larger middle class emerges in India, we will see a bigger opportunity for our technologies...that happened in China too. Currently, India as a market is where China was 15 years back, but as the economy grows, our opportunity, too, will grow.

The Indian government has a stated goal of doubling farmers' incomes. Your agriculture business focuses on enhancing yields and improving productivity. Have you been tapping this opportunity?

A: Yes, but the opportunity until now has been slow. Hopefully, it will accelerate.

In terms of research, what is being done out of India?

A: A large part of the world bakes and eats bread. India is more of a flat bread market. We are looking at ways to adapt our technologies to add value to the Indian market. We are conducting research in rice-related products, like processing it better, dealing with by-products, and the like. We are also looking at extracting spices and colours. We are also looking at unique cleaning solutions for India.

Take, for instance, the process of cleaning a shirt. The adaptations in each country are different. A European wash in a front-loading machine can take very little water but a long time to wash, and with very limited use of chemicals. In the US, the water usage could be four-five times the European level and they prefer top-loading machines. There you need a higher dose of chemicals to get the same effect.

In Asia, water temperatures drop, water quality is different. In humid conditions, there could be more dirt. In India, a large part of washing is still done by hand, so the chemicals required (in a bar of detergent soap) are different. Research addresses these different needs.

Much of the research we do here is also part of our global initiative.

> **"WE ARE LOOKING AT WAYS TO ADAPT OUR TECHNOLOGIES TO ADD VALUE TO THE INDIAN MARKET"**

Many cities, including Delhi, are choking with smog. Does Novozymes have any solutions to offer?

A: Yes, we do. There are different avenues and everything depends on how industrial and agricultural waste is handled and treated. The textile industry is a good example. We have several solutions which have reduced textile waste. But there should be (regulations and incentives) to adapt them rather than just pass responsibility down the chain.

If we can convert agricultural waste into renewable fuels and use them in vehicles, it is a good fit. G.S. Krishnan (Regional President at Novozymes South Asia) and his team are working with the Indian government to highlight the available solutions.

You bought Biocon's enzymes business for $115 million in 2007. Apart from global competitors like DuPont, are there any other players in the Indian market?

A: In South-east Asia, China and India, there are some smaller, regional players.

What is the status of the ₹300 crore investment Novozymes announced last year for setting up a new manufacturing facility near Mumbai?

A: We are going to start operating the plant by the middle or the end of the next year with a capacity for exports as well as domestic market. BT

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Harvard Business Review

CORPORATE VCs ARE MOVING THE GOALPOSTS

CONCEIVED AS STRATEGIC INVESTORS, MANY ARE FOCUSSING ON FINANCIAL RETURNS.

ILLUSTRATION BY RAJ VERMA

MOST PEOPLE are familiar with the traditional approach to venture capital: An investment firm carefully parcels out capital to a portfolio of start-ups, knowing that most will fail – but that with luck, the financial returns from the handful of winners will make the exercise extremely profitable. For more than 40 years, however, another model has also existed: corporate venture capital, in which a very large company invests in start-ups, often in adjacent industries. While traditional VCs are all about financial returns, most corporate VCs are motivated by strategic payoffs. They recognise that big companies often can't match start-ups' ability to create breakthrough innovations, so they use their in-house VC operation to gain insight into new products that could affect their competitive position – and perhaps to get a jump on acquiring the start-up if its innovation turns out to be a game changer.

BY VOICING SUPPORT FOR THE CORPORATE VC's ROLE AS A STRATEGIC INVESTOR, THE CEO CAN REDUCE THE EMPHASIS ON FINANCIAL RETURNS

That's the theory, at least, and it's proven especially compelling over the past five years. From 2011 to 2015, the number of corporate VC units in the United States rose from 1,068 to 1,501, and from 2012 to 2015 the amount their firms invested quintupled, to more than $75 billion. But as more firms have entered the space, some observers sense a shift in goals. Instead of aiming primarily to enhance their companies' strategic position, many corporate VCs seem to be focussing mostly on financial returns – just like traditional VCs.

Two researchers at MIT – graduate student Michael Rolfes and professor Alex "Sandy" Pentland – decided to explore this mission drift; they conducted in-depth interviews with the leaders of 16 corporate VC units. Their questions focussed on the units' goals, organisational structure, stakeholders and oversight, incentives and compensation models, and definitions of success. Fourteen of the units claimed that their primary motivation was not financial – but the deeper Rolfes and Pentland probed, the more they found "glaring operational coherency issues." As they put it: "Many firms were implicitly incentivising conflicting and inconsistent behaviour among their investment team[s]."

Specifically, half the firms said they use financial measures – typically cash-on-cash returns or internal rates of return – to gauge the relative success or failure of investments. More than 40 per cent include financial returns in employee performance or compensation reviews. On the surface, this isn't completely illogical: Financial metrics are familiar and convenient, and even if strategic goals are supposed to take precedence, corporate VCs do hope to make money. Still, the mismatch between supposed strategic motivations and the prominence given to financial metrics suggests that the units are having trouble walking the talk. "In a lot of our interviews, people conceded that 'yes, using these measurements doesn't make a lot of sense,'" Rolfes says.

Other behaviours suggest that corporate VCs aren't pursuing opportunities that could help them maximise their role as strategic investors. For instance, 25 per cent of them take no board seats on portfolio companies, which means they are missing a chance to gain market intelligence and influence a start-up's direction. Roughly 70 per cent said they have no interest in acquiring the start-ups they fund. The researchers also found that nearly all the corporate VCs frequently partner with other VCs when making investments – a practice known as deal syndication. This reduces risk and increases potential financial returns, but it can leave a corporate VC with less control and a weaker strategic position.

On the basis of the interviews, the researchers rated

each firm on a scale of one to four, with four indicating a firm whose objectives, actions, and key performance indicators were fully aligned with its stated mission, and one indicating a firm with "major coherency issues [and] virtually no consistent approach or objective." The mean score of the 16 firms was 2.6, indicating moderate conflict between goals and behaviours. When the researchers looked for correlations between firm characteristics and scores, one attribute jumped out: age. Older firms generally deviated further than younger firms from their stated mission, with corporate venture units more than 10 years old scoring 25 per cent lower than units less than five years old. The researchers speculate that this could result from such factors as cultural or political shifts within firms and staff or management turnover. They also found that corporate VC units run by companies operating in regulated industries (such as energy and finance) deviated more from their strategic goals than firms in less regulated spaces, such as software and retail, perhaps because the lower barriers to entry in unregulated industries create more investment opportunities for VCs to choose among.

Having identified an overemphasis on financial goals as a common problem, the researchers are only beginning to think about potential solutions. Rolfes says, "That's the follow-up: What are the specific recommendations, whether a company is just coming into the space or has gone down the wrong path and wants to correct it?"

In their working paper, the researchers identify active involvement of the CEO as one factor that can make a difference: By voicing continual support for the corporate VC's role as a strategic investor, he or she can reduce the emphasis on financial returns. The researchers also say that firms need better ways to measure the nonfinancial value derived from investments in start-ups. "That's the million-dollar question," Rolfes says. "Companies know that financials aren't the best metric, but they don't yet know what to put in its place."

"NOBODY HAS CRACKED THE CODE FOR MEASURING STRATEGIC RETURNS"

AJAY THAKURI

Since its launch, in 2013, GE Ventures has invested in more than 100 start-ups – and in 2015 it was named the industry's top corporate venture firm by the trade publication *Global Corporate Venturing*. Chief Risk and Investment Officer **David Mayhew** spoke with *HBR* about how the organisation stays focussed on its goals. Edited excerpts follow.

Q: How do you balance the desire for financial returns with the need to invest strategically?

A: We are very selective about what industries we invest in, and within each one we have well-defined themes that are highly strategic for GE's businesses. Just by operating within those constraints, we're addressing our strategic mandate. But you can't focus only on strategic fit. Anyone in corporate venture capital who says they don't also focus on financial goals won't be around very long.

Q: What do you do to help portfolio companies succeed?

A: We are very hands-on, unlike a lot of corporate venture capital firms, which really just write a check and hope something comes of it. We work with our portfolio companies to adapt their product or service so that it can be tested and used by GE. We create distribution relationships for them. We introduce them to our global research centres and our business units. We invite them to our Crotonville training centre for management development. We use GE's size and purchasing power to get them discounts on supplies. We assign them interns, on our dime. There's a dozen or more things we offer, most of them unique to GE.

Q: How do you measure the strategic value you create?

A: That's the number one question in our industry. It's easy to measure financial returns, but nobody has cracked the code for measuring strategic returns in a meaningful, ongoing way. We use a checklist. Does the start-up sell products to GE, or does GE sell products to it? Are we codeveloping products or services? Does the relationship increase GE's productivity, by lowering costs or improving our products? A large share of the start-ups we invest in check one or more of those boxes. **BT**

ABOUT THE RESEARCH "Organizational Dynamics Within Corporate Venture Capital Firms," by Michael Rolfes and Alex "Sandy" Pentland (working paper). This article was first published in November 2016 issue of *Harvard Business Review* (www.hbr.org).


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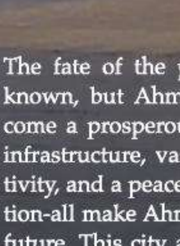
AN IMPACT FEATURE

A PROMISING FUTURE OF A GLORIOUS PAST

AHMEDABAD BECOMES INDIA'S FIRST WORLD HERITAGE CITY

The fate of the poor dog remains unknown, but Ahmedabad today has become a prosperous mega city. Excellent infrastructure, vast networks of connectivity, and a peaceful, fun loving population-all make Ahmedabad the city of the future. This city also has a magical past – a history which made UNESCO declare Ahmedabad as India's first World Heritage City. A walk through the city will transport you back in time - a time when architecture and poetry blended into one. The stunning finesse, beauty, detailing and intricacy of these structures have stood the test of time and maintained the grace and beauty of the era that reflects the confluence of Hindu-Islamic-Jain architecture.



SHRI MUKESH KUMAR, IAS, MUNICIPAL COMMISSIONER, AHMEDABAD MUNICIPAL CORPORATION

"It is a matter of great pride for all of us that Ahmedabad has been declared a heritage city. Each Amdavadi is a part of this global recognition. We, at AMC have taken a lot of initiatives to protect and support the heritage legacy of the city of Ahmedabad. This tag has motivated us to do more. All of us will strive harder to maintain this prestigious inscription."

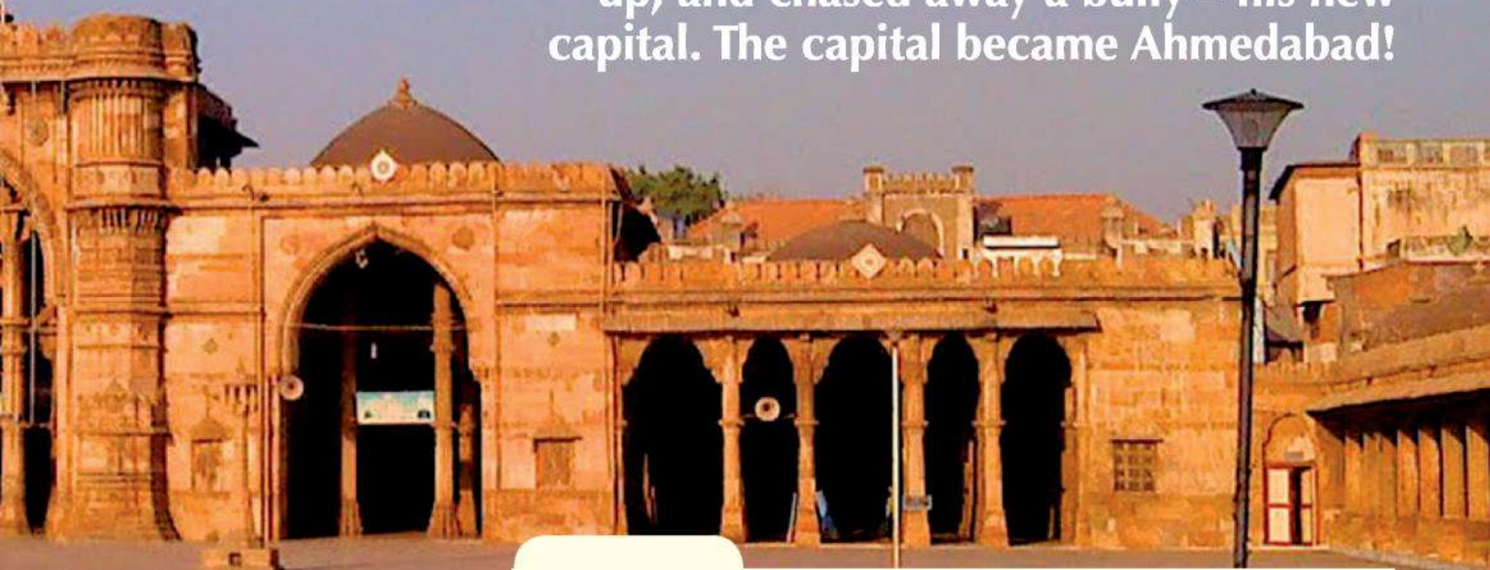
India's First 'World Heritage City': Genesis And The Journey

The belief that Ahmedabad has a definite place in the UNESCO World Heritage Cities list was certain. To secure this recognition for the city, efforts began in 2010. A compelling dossier sent by the then CM Narendra Modi, saw Ahmedabad's bidding accepted for the tag in 2011, when it entered UNESCO's tentative list of World Heritage sites. In 2017, in the city of Krakow in Poland, UNESCO recognised Ahmedabad as India's first Heritage City.

For a city to become a World Heritage City, it is imperative for it to satisfy one or more of the Outstanding Universal

INDIA'S FIRST World Heritage City AMDAVAD GUJARAT, INDIA

Legend has it, that once Sultan Ahmed Shah while camping on the banks of the river Sabarmati saw a rather strange sight - a rabbit chasing away a much bigger and fierce dog! Tales of the underdog always attract awe. Ahmed Shah decided to make this place - a place where a rabbit stood up, and chased away a bully – his new capital. The capital became Ahmedabad!

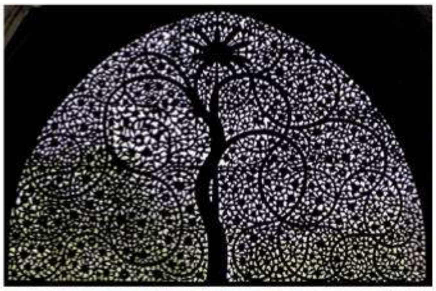


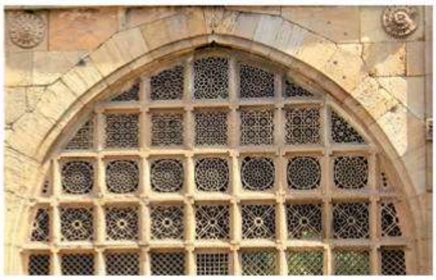
The historic city of Ahmedabad was inscribed on the UNESCO World Heritage list on 8th July, 2017, under criteria (ii) & (v).
Criterion ii)-Exhibit be representative of an important interchange of human values, over a span of time or within a cultural area of the world, on developments in architecture or technology, monumental arts, town planning or landscape design.
Criterion v)-to be an outstanding example of traditional human settlement, land use or sea use, which represents a culture (or cultures) of human interaction with the environment, especially when it has become vulnerable under the impact of irreversible change.

Values (OUVs) criteria set by UNESCO. The UNESCO defines OUV as a "cultural and/or natural significance which is so exceptional as to transcend national boundaries and to be of common importance for present and future generations of all humanity. As such, the permanent protection of this heritage is of the highest importance to the international community as a whole."
UNESCO lauded the historic city's sultanate architecture, especially 'the Bhadra citadel, the walls and gates of the fort city and numerous mosques and tombs as well as important Hindu and Jain temples of later periods.' The UNESCO tag is a testimony to the fact that Ahmedabad and its monuments stand for multicultural and centuries old co-existence of citizens belonging to different faiths.

A Monumental Task: AMC Leaps Through Countless Hurdles

The Ahmedabad Municipal Corporation established in the year 1950 stands out as a role model in the country. The AMC has played a leading role in the city becoming a heritage destination. AMC's campaign of interplay of the past and present has given Ahmedabad its deserved place of pride and global recognition, while reclaiming the past glory. The achievement came nearly after two decades of heritage initiatives undertaken by the AMC including preservation and documentation of 2600 heritage sites. It is the tireless work of the AMC that has borne fruit.
This foresight and pro-activeness by AMC was instrumental in the city's recognition as Heritage City. AMC is without doubt the flag bearer of conservation of its heritage monuments. But the task at hand is enormous. The teeming town is caught between vehicular blocks, pollution and development. The task of integrating cultural heritage with contemporary life remains a challenge but AMC continues its pioneering work.
"The responsibility is even more. We not only have to ensure that historical properties are not damaged and conserved but we have to maintain the authenticity and integrity of monuments of the city. In other words, a strategic intervention to revive, restore the urban heritage which was under threat due to various urban development pressures" says, Mr P.K.Nair (DGM), at AMC's Heritage Department. AMC is resolved and committed to revive and restore the heritage of Ahmedabad. Since nothing is possible without





people's participation, it is planned to involve local citizens to participate and help in maintaining this heritage just like a public-private partnership.

For maintaining monuments there is a machinery, a statute and budgeted funds. Non-monumental structures, mostly privately owned pose a number of challenges. Securing funds, finding master craftsmen for building materials and reviving building technologies of a bygone era and securing the commitment of property owners to a maintenance schedule are daunting tasks. Also, maintaining heritage structures has to be a more attractive proposition than demolishing them and selling the lands on which they stand.

Amidst the chaos, AMC's resolve and commitment in reviving and restoring the heritage of Ahmedabad is steely.

Future Perfect: How AMC Is Securing The Heritage Of The Walled City

Development is imperative. What is important is preservation of Heritage while making giant strides towards modernity, something which AMC has done commendably. AMC is in a relentless pursuit to ensure proper maintenance of the Heritage City. This calls for strict regulations and stricter implementation as is clear from the steps mentioned below:

• To decongest the walled city and to reduce vehicular traffic, a free bus service running on a circular route in the city has been introduced

• To cater to the increasingly digital savvy population, AMC has come up with a Heritage App- the first-of-its-kind guide on mobile phones which plans on a detailed documentation of all listed sites.

• Timely surveys, mobility and upgradation will be conducted to check and maintain the condition of these properties.

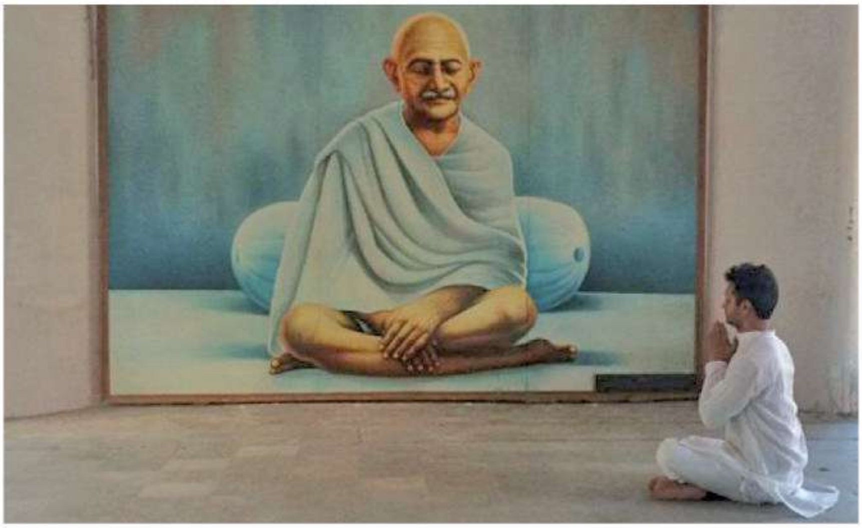
• Transferable Development Right or TDR is a significant step to support heritage building owners. Loans to repair and restore their properties at low interest rates, reduction in property tax and special tax exemptions are some of the incentives for such owners to encourage them to conserve the heritage. Additionally, technical guidance, specialized manpower, engineers, and supervisors will also be provided.

• AMC has also popularised the concept of homestays with bed and breakfast facilities. Many people in the pols have renovated their houses and are running homestay establishments.

• AMC also emphasizes on urban heritage which goes beyond the tangible-like buildings and monuments, and intangible aspects like the rituals, language and so on.

• The Ahmedabad Heritage Department has also been responsible for reviving public spaces and structures of public importance. Restoration of Fort Wall, Chabutaras, and Step Wells are few examples.

• To create more awareness, many programmes like celebrating World Heritage Day and Week, organizing painting competitions, lecture series, culture based programmes, films, publishing literature, symposiums and MoUs with national and international agencies, have been



initiated.

• A full-fledged tourism/visitor management plan is in the pipeline for the historic city which will bring in more tourists to the city.

"Ahmedabad is rapidly gaining the tag of 'Smart City' keeping the Heritage Value intact. AMC is committed to maintain the 'Heritage Treasure' of past 600 years to showcase its unique culture to rest of the world" believes Mr.Ketan Thakkar (GAS), who is the Deputy Municipal Commissioner (Heritage & Publicity) at AMC.

A Walk to Remember

Spread across 5.35 sq km, the old or the walled city of Ahmedabad is home to havelis, old markets, historic housing clusters and shrines. Its architecture style often described as 'glorious weaving', blends the styles of Islamic architecture with subtle Hindu architectural principles.

The Heritage Walk – a two kilometre walk is also known as the Mandir to Masjid walk, its start and end point being a Mandir and Masjid respectively. The walk was launched by AMC in association with an NGO – CRUTA in November 1997 during World Heritage Week. Since its inception, the Ahmedabad model of the Heritage Walk has been replicated in many other historic cities and towns of India to conserve heritage and promote tourism.

Centuries have gone by, but Ahmedabad's inherent trait remains the same. The meandering narrow lanes within the old walled city and broad roads stretched beyond the old gates lead one to the sites of many monuments, which Ahmedabad flaunts like jewels.

The beautiful walk begins from the Swaminarayan Temple –the epitome of religion and architecture established by Sahjanand Swami himself in Kalupur. Trudging through the lanes and bylanes one reaches the Kavi Dalpatram Chowk- in memory of the poet and his sterling contribution to Gujarati literature and culture in Lambeshwar ni Pol. At Relief Road is the Calico Dome, and then one walks into the Haja Patel ni Pol for darshan of Kala Ramji Mandir- the unique temple of Lord Ram. From there, we head to the Shantinathji Mandir, which ranks among the best Jain Derasars and is known for its exquisite beauty showcasing fineness of wooden sculptures. Then begins the Doshivada ni Pol which houses Kuvavala Khancha, Zaverivad, Shambhavnath ni Khadki, Chaumukhji ni Pol, to the end of Doshivada ni Pol.

The city has many revealing aspects and interesting facets in its erratic outlines and imposing manmade structures. We step on to Gandhi Road which is parallel to Relief Road. Here we find a veritable treasure trove of artefacts, both the old and new. Then we have the Fatasha Pol which houses the splendid Ashtpadji Derasar and Harkunvar Sethani ni Haveli. The entrances, lobbies, stairways, halls, drawing rooms exhibit all the finesse and accuracy of a European tenement in this haveli. Walking ahead, we reach the famous Fernandes Bridge followed by the Chandla Pol. The vibrant Rani no Haziro- the square open court containing tombs of Ahmadshahi queens lies next to the Badshah no Haziro- square building of unusual design covering the tombs of the Sultans. Tucked in between the two is the bustling Manekchowk. Facing Rani no Haziro, is the Mahurat ni Pol which, as the name suggests, was the first Pol in the city. It houses more than 100 jewellery and bullion shops, and is a close neighbour to the Ahmedabad Stock Exchange building-a symbol of modern economy. The Heritage Walk ends with the grandeur of Jama Masjid.

Ahmedabad has a history spread over 600 years, and it has seen many changes. Today, the city bustles at a fast pace; development which grows higher, stronger, faster. While our eyes look up and wonder, down below however, a whole world where time stops, awaits. What is heartening is the fact that the Y generation is aware of the legacy it has inherited. A legacy it holds dear and flaunts with pride as it receives international recognition. Classic, innovative and offbeat, the city is abuzz with glory of the past and the promise of a bright future. Ahmedabad is a destination for visitors in search of places to discover.

THE BREAKOUT ZONE

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P.142 **LIFE HACKS:** ANGER MANAGEMENT

P.154 **LEADERSPEAK:** PALLAVI SHROFF

COMPUTING

QUANTUM QUANDARY

An exponential leap in processing power is around the corner, but will we use or abuse it?

Traditional computers understand the instructions given to them in bits – binary digits zero or one – and are able to perform rather complex tasks. Magical and transformative as this has been for many years, the next leap in computing is around the corner. Quantum computing involves working with zeros and ones at the same time, known as qubits. These qubits are clubbed together in a process called entanglement, making the computer more powerful with every addition of a qubit.

Qubits are, however, not easy to put together and seem vulnerable to events external to them and can cause computers to go awry with their calculations. Quantum computers need many qubits to work. If done right, they are powerful enough to perform massive calculations, that take regular computers months to arrive at, in minutes; but if not, errors make the whole process futile.

To make qubits quickly and reliably, researchers at the University of Technology in the Netherlands have used silicon in something of a breakthrough, revealed a report in the journal Nature. Intel and QuTech have begun designing quantum computers with two spin qubits on silicon. The algorithms arrived at are still at a simple stage, but the possibilities with this type of processor are immense. In fact, there's now a veritable arms race between companies and even countries to build quantum computers as it is believed that this will lead to the solving of many of the biggest problems in the world and even unlock mysteries of the universe.

Although true usable quantum computing is still far from achieved, experts say it s implications are more worrying than Artificial Intelligence. If millions of combinations of numbers can be searched through in minutes, it is going to be possible to crack open secure databases, making the world rethink its current methods of making data private, including encryption. Think bank accounts, too, that are already not secure enough. When a processor achieves 'quantum supremacy' (perhaps possible with 50 qubits) it is thought that calculations for genetic sequences, drug discovery, space exploration, and many other areas will leap forward. But data security as we know it today will also have to see a step change. There is work on 'quantum safe' methods, but that too is in the distance for now.

"The fundamental theory behind data encryption is that we can hide data by applying an encryption algorithm and thus transform it into an indecipherable format. Someone can only then decipher the data by using a unique private key in the sole possession of approved personnel," says Bob Reselman in TheServerSide. "Trying to unlock

TRUE USABLE QUANTUM COMPUTING IS STILL FAR FROM ACHIEVED, BUT EXPERTS SAY ITS IMPLICATIONS ARE MORE WORRYING THAN ARTIFICIAL INTELLIGENCE

the data without the key can take decades of trial-and-error computation on a classical computer. The inherent deterrent is that nobody can or wants to spend years trying to crack the algorithm.
But what if the period of trial and error went from decades to minutes? In this case, the allure of cracking the code becomes compelling. Increased levels of malicious intention become inevitable." BT

PREDICTIVE AI

EARTHQUAKE AHEAD

ARTIFICIAL INTELLIGENCE has done a good job of outthinking humans and their traditional methods. Now it's time to see how they fare at solving one of the world's most challenging problems: how to tell when an earthquake is coming.

Predicting and actually doing something about earthquakes may get a little easier because of an unfortunate fact: humans are causing some of them. Research in central United States has seen that seismic activity is on the rise – exponentially so – because of human activity, such as waste water getting into the ground. ConvNetQuake, a system to use algorithms to detect and locate waveforms that signal heightened chances of earthquakes, is being tried out there, according to a report in Science Advances. It has been able to detect 17 times more earthquake activity than the Oklahoma Geological Survey. This convolutional neural network method is readily scalable, according to the researchers. BT

ILLUSTRATIONS BY RAJ VERMA

KEEP YOUR MONEY SAFE

DUE DILIGENCE WHILE TRANSACTING ONLINE IS IMPERATIVE AS NUMBER OF MALWARE AND PHISHING ATTACKS INCREASE.

By NIDHI SINGAL

Illustration by Raj Verma

Convenience comes at a price. Although online banking has made our trips to the bank infrequent, it has put our money and data at a huge risk. More than 25,800 fraud cases related to credit/ debit cards and Internet banking were reported in 2017 (up to December 21), according to the Reserve Bank of India. With the mushrooming of payments apps, users are increasingly becoming vulnerable to phishing and malware attacks.

Shocking as it is, not even the established banks are insulated. Quick Heal Security Labs detected an Android malware that has been targeting over 232 banking apps including those of SBI, HDFC Bank and ICICI Bank. "Most consumers are confident that they're safe online, but hackers have proven otherwise," says Ritesh Chopra, Country Manager, Consumer Business Unit, Symantec.

Although not every app or platform is being attacked, being cautious never harmed anyone. Here's what you can do to safeguard against online frauds.

To start with, create a barrier by password-protecting all the devices – laptops, tablets, PCs and smartphones – that you may or may not use to access bank websites or payment apps. Set a daily transaction limit and turn on the two-factor authentication system. This two-step verification process requires you to enter additional information such as a verification code, a special pin or numbers from the back of your card. Sign up for log-in notifications wherever available and always log out of the session after transacting. Changing account passwords regularly is a good practice.

The number of users opting for online banking is expected to double – to 150 million – by 2020, according to a report by Boston Consulting Group. This is thanks to the rise of smartphones and payments apps promising us better deals and more handy ways to transact. Payment-related apps present an amplified risk of frauds and need to be dealt with more cautiously.

Incidence of hacking and malware is very high on the Android mobile platform; whereas on the iOS operating system, it is relatively rare. Even though app developers in the payments space are deploying the best security measures available, there are numerous third-party apps that infiltrate your mobile to access critical information.

"Mobile banking apps do not adequately shield their apps to make them tamper-proof. App shielding includes code obfuscation to prevent reverse-engineering, and anti-tampering mechanisms such as certificate pinning and debug detection. Currently, apps implement platform-specific best practices, but they are insufficient to protect against attacks across the device, network and app tiers," explains Manjunath Bhat, Research Director, Gartner.

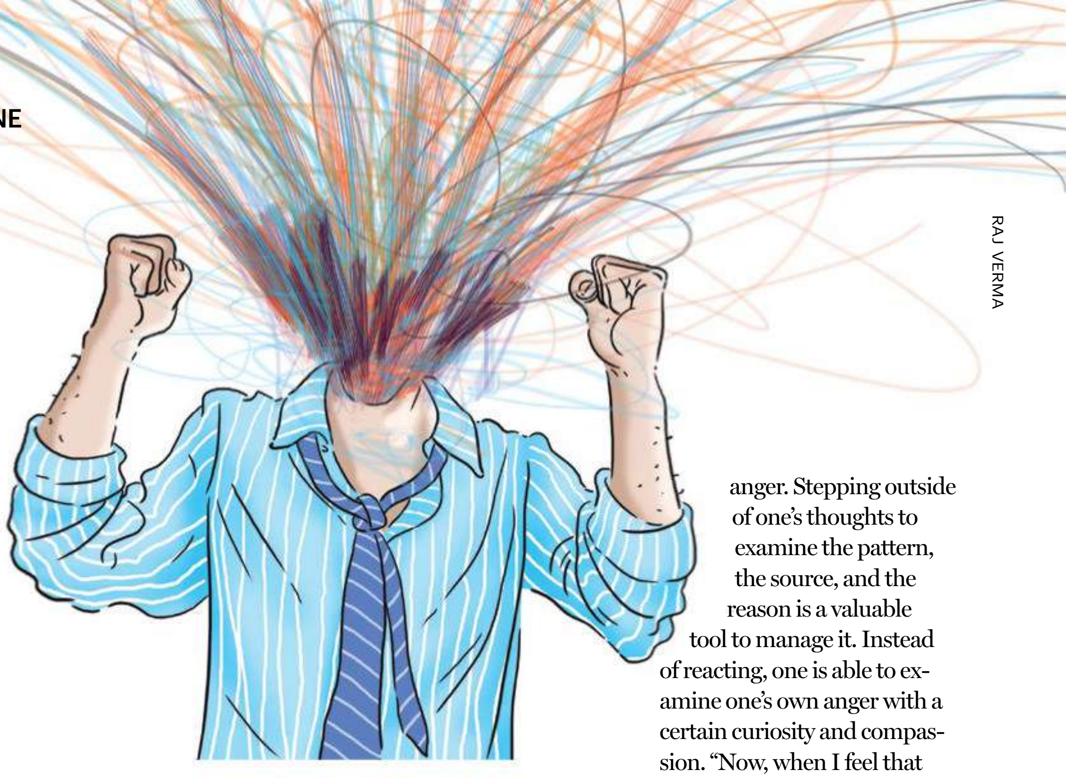
In the maze of similar looking apps published on app stores, knowing the authentic ones is critical. Steer clear of counterfeit apps by checking the developer/publisher name. Be cautious about the permissions an app seeks at the time of installation.

"Connected devices (smartphones) are at an increased exposure to cyber risks, which gets further accentuated by multiple mobile apps. The risk increases significantly with the apps, since they get access to lot of information from the phone such as access to the phone directory, messages, pictures, etc. Some of these apps have the ability to even remotely share this information," says Atul Gupta, Partner and Head - IT Advisory (Risk Consulting), KPMG in India.

When you log in to a payments app, do not auto-save any information, be it the log-in credentials or the card details. Apart from password-protecting these apps, it is advisable to update the apps and the device's operating system when available as the updates often include security patches against prevailing attacks. BT

@nidhisingal

BE CAUTIOUS ABOUT THE PERMISSIONS AN APP SEEKS AT THE TIME OF INSTALLATION


RAJ VERMA

LIFE HACKS

RESPOND, NOT REACT

IF YOU LOSE YOUR COOL OFTEN, TRY FIGHTING IT WITH CURIOSITY

ANGER BOUTS in people vary vastly. One person can be relatively unfazed, while another person could completely lose their cool. This has a lot to do with the complexities in each of us such as our personal history, temperament, circumstances and more.

If you look back over the past few days and regret having let anger get the better of you, there's no need to enrol for an anger management course. Try a mindfulness trick or two instead, like Chris Boutte, a frequent writer on mindfulness, does.

Outright meditation is helpful to those who find it easy to embrace it, but isn't for everyone. Many become very quickly bored with the practice and despite having had an interesting experience for a couple of days, give up on it. Boutte suggests using informal mindfulness – just coming into the moment, standing outside of oneself and noticing those first few signs of anger bubbling up.

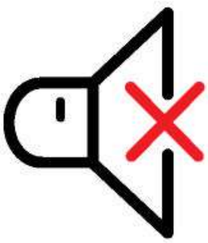
"What I began to realise was that I was only acknowledging my anger when I was ready to explode, and it was often something that had been building up for a while.

MANAGING ANGER WITH A MOMENT OF MINDFULNESS CAN DE-CLUTTER THE MIND

Since I wasn't recognising the early triggers of my anger, I wasn't able to deal with it before reacting in a way that I would regret," he writes on the TinyBuddha portal, a space for sharing life advice.

There are distinct early warning signs of oncoming anger. Stepping outside of one's thoughts to examine the pattern, the source, and the reason is a valuable tool to manage it. Instead of reacting, one is able to examine one's own anger with a certain curiosity and compassion. "Now, when I feel that initial anger within my body or mind, I get really curious. I take a calm breath and simply think, 'That's interesting. Why am I feeling this way towards this person or situation?'"

Managing anger with a moment of mindfulness can de-clutter the mind of unhealthy thoughts and perceptions. Boutte suggests starting this practice with someone who doesn't trigger off very strong emotions, perhaps someone at work rather than a family member. Done often enough and with persistence, the method will spill over to other people.



PLEASE PRESS MUTE

PHONE SILENCE IS GOLDEN DURING SOCIAL INTERACTIONS.

IT'S AN ABSOLUTE no-brainer that one should keep the smartphone away while interacting with someone, but it's still a common practice. Somehow, people convince themselves that a glance or two at that all-important phone screen won't be noticed. But they are mistaken.

If being liked by others is important, either personally or at work, it would be helpful to put the phone on silent mode before a focussed interaction with someone or a meeting.

Set up your phone so you have easy access to a mute button and avoid being pinged prominently by notifications on everything from Marks & Spencer's announcement of an end of season sale or your latest phone bill. If there's someone important you can't afford to lose touch with even for a few moments, put that person's number on the priority list, so calls and messages can still cut in. Otherwise, what you're telling the other person is that you can just about squeeze him or her in between tweets, or while answering emails.

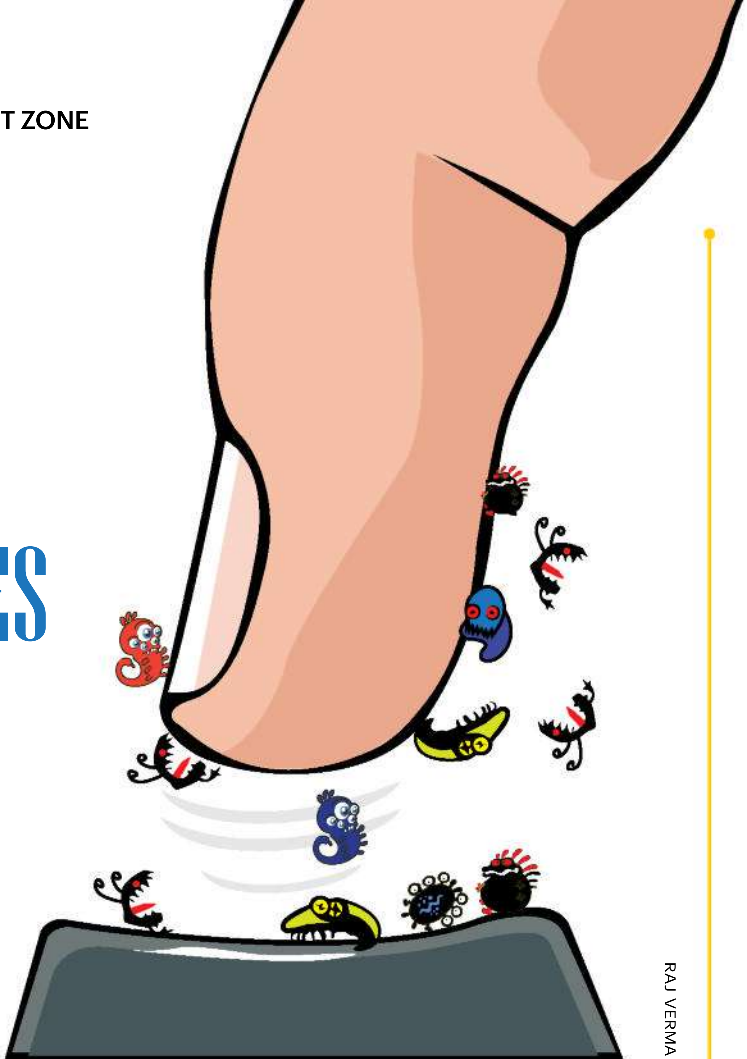
For those who spend a lot of time online, every small interaction on one's device assumes greater importance than it merits. A Facebook post can wait; you can check how your picture is faring on Instagram later; news alerts can wait, because the impression you are creating on the other person will last forever. BT

EXECUTIVE HEALTH

THE 9-TO-5 MICROBES

WITH NUMEROUS GADGETS CROWDING THE OFFICE AND CLOSE CONTACT WITH COLLEAGUES IN A 24X7 WORK ENVIRONMENT, WE NEED MORE THAN A HANDWASH TO STAY SAFE.

By E. Kumar Sharma



RAJ VERMA

CALL IT 'new-age hygiene', but it is high time you should be more concerned about keeping your electronic gadgets clean. Viruses and bacteria are now lurking all over the workplace, thanks to our talk-and-eat-on-the-go lifestyle, and these microbes are all-pervasive. You not only find them on mobile phones, landline mouthpieces and computer keyboards but almost everywhere – be it your work desk or the restroom door handle. Of course, there are plenty of infrared tools available for cleaning your gadgets. But it still boils down to the good old practice of washing your hands thoroughly, keeping the hand sanitiser nearby and not using your mobile phone in the washroom.

You may need to do more, though. The reason: A 24x7 work regime requires building the biggest armoury against microbes via some lifestyle changes. The aim is to ensure that one's immunity system is functioning optimally. Focus on a proper diet and get on a healthy sleep schedule as your body gives telltale signs in their absence. For instance, persistent mouth ulcers may indicate the body is under pressure due to stress and/or poor sleep.

Opt for healthy eating as your diet should not disturb the existing microbial flora of the human body and must ensure that your immune system remains strong.

Finally, try and stay healthy as any disease you catch is bound to lower your body immunity.

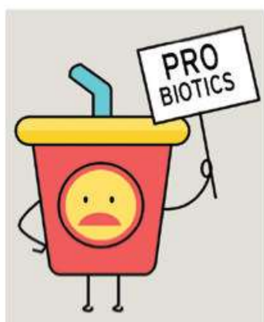
The bacteria-virus onslaught at workplaces is unlikely to hurt unless the immune system is weak. But one can still catch an infection if there are nicks and cuts or one is either sharing a PC or coming into contact with taps, toilet fixtures or door handles. In fact, you can easily catch the flu if these were earlier touched by people suffering from an upper respiratory infection.

"People still do not cover their noses and mouths when they sneeze. So, there is a constant flow of pathogens, and those with flu or respiratory syncytial virus infection (RSV produces cold-like symptoms) will affect others," says Dr Lalit Kant, Senior Advisor, Infectious Diseases, at Public Health Foundation of India. "It is equally important to take care of workplace stress as that can lower one's immunity." **BT**

WHEN BACTERIA BOOST MENTAL HEALTH

Today, an entire industry has emerged around probiotics that aims to restore the necessary balance of bacteria in the human body. Different formulations are available in the market but not all of them produce the desired result. Read the labels carefully to check for storage temperature and see if it is stable throughout the shelf life. One cannot rule out cases where there are not enough bacteria present, or they may fail to reach the gut where they need to act.

M. Ratna Sudha, Founder of Hyderabad-based probiotics firm Unique Biotech, says now the focus is on psychobiotics. It is all about dealing with psychological conditions with the help of bacteria functions. Researchers are studying the bacteria that bring about biochemical signalling and produce neuroactive substances. These can act on the gut-brain axis and dispel anxiety and depression. In the long run, advanced psychobiotics may even cure autism and dementia. **BT**



LUXURY

LATEST TRENDS

SELECT PICKS FROM THE WORLD OF LUXURY AND FINE LIVING.

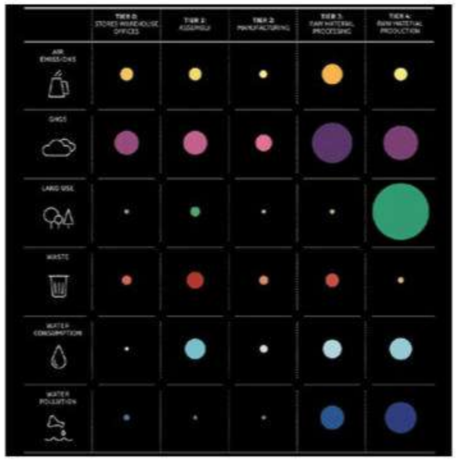
COURTESY: ROBB REPORT INDIA

The versatile watch is available in variants of steel or pink gold, with a 42 or 38-mm case

Watches

THE FINEST HOUR

Two years after its return to the Girard-Perregaux collection, the Laureato is writing a new chapter with the introduction of an enriched range of chronographs. In this natural and eagerly awaited extension of an eminently sporting chic collection, the Laureato once again demonstrates the strength and relevance of the design of this iconic watch born in 1975. Entirely clad in steel or pink gold, available with a 42 -or 38-mm case and interpreted in three dial colours, the Laureato Chronograph is an exceptionally versatile watch. An everyday wear, the watch is equally at ease in smart or informal attire. Girard-Perregaux is a Swiss luxury watch manufacturer that traces its origins to 1791 and is part of the Kering Group.



Handicraft

RUSTIC CHARM

Jaipur Rugs, which works with close to 40,000 artisans in 600 villages in India, providing families with sustainable livelihood, has got the ultimate recognition. Bimla Devi, a weaver turned designer with Jaipur Rugs, journeyed from rural Rajasthan to Frankfurt, Germany, to receive the prestigious German Design Award for her rug Kamal, along with Design Director Kavita Chaudhary, who brought home the GDA 2018 Gold Award for her rug, Asthai. Till date, Jaipur Rugs is the only Indian brand to bring home GDA awards three years in a row.

Environment

Ethical Choice

Instead of cost, luxury consumers will soon be checking for their product's EP&L (environmental profit and loss). Ecologically sustainable luxury is the new buzzword and luxury manufacturer Kering has now launched a WeChat mini programme in China, an environmental impact measurement tool that informs consumers about the environmental cost of their purchase. According to market research firm Mintel, Chinese consumers are more likely to purchase ethical brands at a premium price. Fifty eight per cent of those surveyed said they are willing to pay more for ethical brands.

Fashion

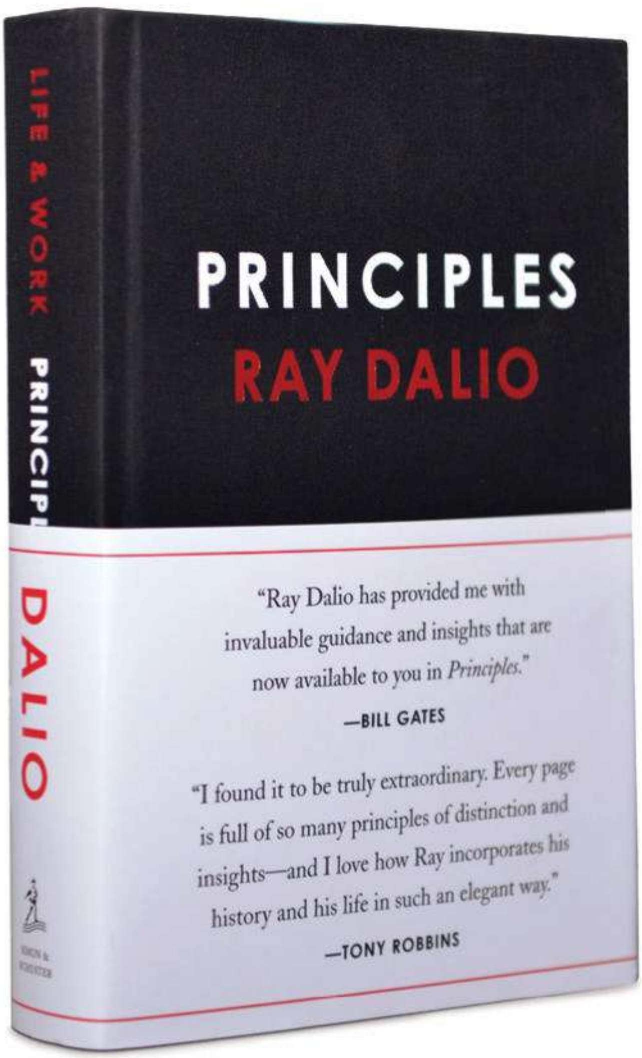
Turning Heads

Alessandro Michele of Gucci knows a thing or two about grabbing eyeballs. First came the orange timer invitation to the Fall show in Milan; then came the show itself that saw models carrying their severed head replicas, chameleons and coral snakes in their hands, and eyes pasted on foreheads and hands. The freakish creations were inspired by the 2016 movie *The Tale of Tales* by Italian director Matteo Garrone. Michele worked with techno-artisans who produced the film's visual effects.

Beverage

HIGH TEA

From being an art collector, Radhika Chopra Anandan is now a tea entrepreneur. She is the woman behind No 3 Clive Road, a tea brand that takes its brew very seriously. From ayurvedic blends to the Madurai Masala blend, the brand, established in 2015, has a tea for every mood. Named after the house in Delhi where her father was born in 1931, the brand uses nostalgia, the premise of hand blending and super quality to make its place in the increasingly competitive world of specialty teas from Nuxalbari Tea to Anandini Himalaya Tea.



Principles

By Ray Dalio

Simon & Schuster

Price: ₹592

Pages: 999

EX-LIBRIS

UNCONVENTIONAL WISDOM

FASCINATING AND UNHEARD-OF INSIGHTS TO HELP ONE ACHIEVE PERSONAL AND PROFESSIONAL EXCELLENCE

By S. Ramnarayan

IT IS SAID THAT EXPERIENCE is inevitable; but learning is optional. To be able to learn, we have to be very deliberate in pursuing and facing the truth, which is not always easy. When we seek feedback from fair and objective colleagues on our actions, we may receive criticism; but we still need to ask for clear and honest assessment of our behaviour. Since all these tend to cause intellectual and emotional pain, we may choose to avoid such exploration. That's why learning from experience is easier said than done.

On the other hand, Ray Dalio, founder of the largest hedge fund in the world that manages $160 billion, and author of the book *Principles* is a person who has failed well. Rather than wallow in his failure, he had chosen to be brutally honest with himself and reflect on his painful experiences which helped him develop valuable life and work principles. In the 500-plus pages of the book, he shares these principles in three parts.

The first section is autobiographical – Dalio provides a candid account of the conflicts in his team, the bad bets that nearly killed his firm, and certain personal setbacks. Through personal examples, he shows how he developed and tested his principles. He suggests that we learn far more from our failures than our successes. The second part, titled 'Life Principles', deals with how he manages and leads his firm Bridgewater Associates to ensure consistently high performance. In the third section, Dalio outlines the building blocks for designing an effective organisation to achieve the right balance of people, processes and technology. He describes how he has made his choices – for instance, of relying

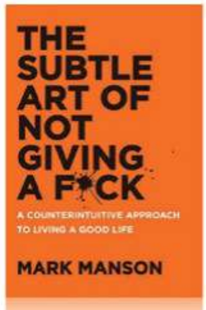
more on technology to achieve growth in the early stages of his firm. The biggest takeaway from the discussion is not his final conclusion, but the discipline with which he approached his decision-making. For me, the core of the book is about what it takes to be a continuous and committed learner, and this is crucial in today's VUCA world.

While there are several principles, there are a few ideas that are central to the approaches that Dalio recommends. These include radical transparency, idea meritocracy and thoughtful disagreements. Radical transparency requires you to express your thoughts openly and honestly, and yet not hold your opinions too tightly. You should understand and appreciate where the other person is coming from, and yet be assertive in pressure-testing the person's opinions. By removing ego and emotions out of the equation, you and the other person should have thoughtful disagreements and be willing to change your opinions as you learn and grow. For Dalio, the ideal meritocracy is "a system that brings together smart, independent thinkers and has them productively disagree to come up with the best possible collective thinking and resolve their disagreements in a believability-weighted way". In case you're wondering, 'believability-weighted' refers to the number of times you have successfully accomplished a specific task or goal, and so the greater your believability, the more weight your arguments should hold.

Evidently, these approaches are not for the faint-hearted. You have to be used to highly uncomfortable confrontations. In Bridgewater, 99 per cent of the conversations and meetings are recorded so that employees can view and critique those later. Brutal honesty can take a heavy emotional toll and damage relationships if poorly handled. So, the application of Dalio's principles to organisations would be very challenging. But the book has a number of fresh and intriguing insights that can help you get better at whatever you do, and support you in your pursuit of excellence. **BT**

The reviewer is Clinical Professor, Indian School of Business

Business Bestsellers*



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The Subtle Art of Not Giving a F*ck

By Mark Manson
Harper Collins
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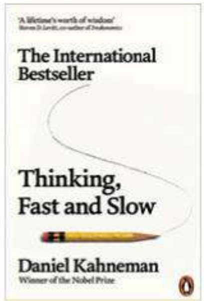

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By Ashlee Vance
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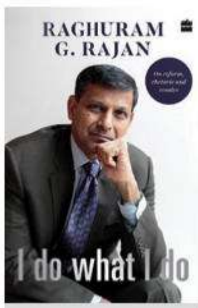

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I Do What I Do
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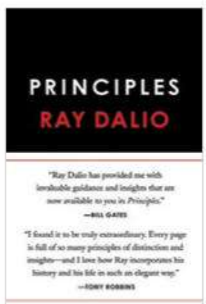

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Principles: Life and Work

By Ray Dalio
Simon & Schuster
Price: ₹999

*Top books by sales for Feb 12- 26, 2018; Includes only books released after Jan 1, 2015; Information provided by amazon.in

THE BREAKOUT ZONE

THE TOP SPOTS

WHILE THE LEADERS REMAIN THE SAME, THERE ARE NEW COMPANIES RISING UP THE LADDER.

TEAM BT

PHOTOGRAPHS BY SHEKHAR GHOSH

THEY HAVE BEEN the crème de la crème for years. For the fifth time in a row, Google India and Accenture India have been adjudged The Best Companies to Work For in the Business Today-PeopleStrong Survey. Amazon retained the third position it achieved in last year's survey. While there is consistency, so is the change. ICICI Bank went up five notches to be ranked fourth in the listing, making it the first time that a bank has made it the Top 5 in at least six years.

The employees' survey was conducted by Business Today with the help of knowledge partner PeopleStrong, a leading HR solution company. The other companies which made it to the Top 10 include Infosys Technologies, Hindustan Unilever, Tata Steel, IBM India, Lupin and Bharti Airtel. Dr Jitendra Singh, Union minister of state in the Prime Minister's Office (PMO) gave away the awards to the winners at a function in Mumbai on 21 January. In his address Dr Singh explained how the government is looking to streamline things. He said, "This will be a government which will

Winners of the Best Companies to Work For Awards with Union Minister of State (PMO) Dr. Jitendra Singh, Raj Chengappa, Group Editorial Director, India Today Group, and Prosenjit Datta, Editor, Business Today

Dr. Jitendra Singh addressing the audience

Deepti Varma, Amazon India; Kameshwari Rao, Sapient; Krish Shankar, Infosys; Manu Narang Wadhwa, Coca-Cola; Gajendra Chandel, Tata Motors, and Rajeev Dubey, Business Today, at a discussion on upskilling in a fast-changing world

T.K. Srirang, ICICI Bank; Shilpa Vaid, Arvind Fashions; Babu Vittal, ShopClues, Nand Kumar, VIT; Rohit Thakur, Accenture; Prakash Rao, PeopleStrong, and Srikanth Balachandran, Airtel, after a discussion on "Maintaining the Human Element in an Increasingly Digtal Workplace"

Anil Swarup, Secretary, Ministry of Human Resource Development, addressing the audience

be known for abolishing hundreds of rules. We have abolished interviews for non-gazetted posts."

Speaking on the occasion, Prosenjit Datta, Editor, Business Today, said, "Building a great place to work in is not just good for the employees you hire – it is crucial for the growth of the organisation itself because a great workplace is a also a highly productive workplace. And highly motivated and productive employees give a significant edge to any organisation in the marketplace."

Special guest, Anil Swarup, Secretary, HRD ministry said that his job is to find out if there can be a public-private partnership for expanding goodness.

The Business Today-PeopleStrong survey also had eight sectoral winners. While Abbot retained its spot as the best company to work for in the pharmaceutical sector, Tata Steel won the award in the Core sector and Tata Motors in the engineering and automotive sector. Other sector winners were Hindustan Unilever (consumer goods, durables and other non-engineering); Arvind Fashions (retail); Bharti Airtel (telecom and allied) and DTDC Express (others & diversified). ICICI Bank was the winner in the BFSI category.

The event included two panel discussions on topics that are being discussed in detail across most HR forums. The first panel was on 'Maintaining the human element in an increasingly digital workplace'. They pointed out that while the advent of a digital workplace is inevitable, the charge won't really phase out humans but give better opportunities for innovation. T.K. Srirang, Head, Human Resources, ICICI Bank said: "Fundamental point of any transformation are the employees and the charge lies with the leadership and most employees are always ready to change." Discussing the challenges start-ups face when it comes to workforce, Babu Vittal, head, human resources, ShopClues said that employee retention is a big problem. Other panelists stressed on maintaining the open culture in the organisation, investing in employees and make organisations more adaptable for the younger generation.

The second panel was on Upskilling in a fast-changing world. In a fast-changing world, it is important for employees to improve their skills constantly. Deepti Verma, Director, HR, Amazon India said: "We are sending small bites of information on a regular basis to our employees to encourage learning instead of a classroom approach." The consensus of the HR experts was that digital workplaces will not phase-out humans but allow better innovation. BT

LLOYD
Business Today
PRO-AM OF CHAMPIONS 2018

TOP HONCHOS FROM MUMBAI PARTICIPATE IN LLOYD BUSINESS TODAY PRO-AM OF CHAMPIONS

BY VIPUL HOON & DEBAKINANDAN NAYAK

The runner-up team: Sanjeev Vaz (VeVaa Business Solutions), Jalaj Kakkar (Ritz) and Pramod Bhambani (Siemens) with Subodh Dakwale (Indian Oil)

The eighth leg of the 22nd edition of the LLOYD Business Today Pro-Am of Champions teed off at the Bombay Presidency Golf Club on Friday, February 9, 2018.

The BPGC is the most prestigious golf club in Mumbai and in 2009, the course underwent extensive redesign and modifications. It is a demanding course with a large member community that is largely golf-focussed.

Played on the Stableford format with Double Peoria handicap system, the bright afternoon witnessed some top-notch golfing action with the players competing for both individual and team prizes.

The day's action culminated with the prize-distribution ceremony, followed by dinner. The winning team also earned a place in the Pro-Am National finals, to be held in Delhi.

The winning team comprises Ajay Chauhan, Parle Products Pvt. Ltd; Shankar Narayan; Sudhir Trehan, Anamay Consulting LLP, and V. Bala of Financial Software & Systems Ltd.

With a combined score of 105 points, they were crowned the Mumbai Mavericks and would compete with the winners from other nine cities.

The team comprising Jalaj Kakkar,

Individual winner in the handicap category (0-14) Paras Shah, Ace International Corporation with Mohsin Khan, Volkswagen

Arjun Nohwar, Uber

Pranshant Purker, ICICI Venture

(L-R) A.K. Agarwal (Western Railways), B.S. Canth (Indian Oil), Subodh Dakwale (Indian Oil) and Ashok Vaidhya

Ritz; Sanjeev Vaz, VeVaa Business Solutions; Jayaraman, Kotak Bank, and Pramod Bhambani, Siemens Ltd, finished runners-up with 101 points.

As for individual prizes, V. Bala was the winner with 37 points in the 15-24 handicap category while Paras Shah, with 36 points, won the 0-14 handicap category.

LLOYD is the Co-title sponsor, Indian Oil – the Fuelled By sponsor, Volkswagen – the automobile partner, Nautica – the Style Partner, Hidesign – the Bespoke Gift partner, Ballantine's - Partner and Creatigies – the Marketing Partner of the event. BT

PALLAVI SHROFF
MANAGING PARTNER, SHARDUL AMARCHAND MANGALDAS

PHOTOGRAPH BY SHEKHAR GHOSH

Q. The biggest challenge you faced in your career

A. When I started my career, there were very few female lawyers. So, the challenge in the initial years was to be accepted by clients and courts. What helped was that the firm had faith in me and would assure the clients of my ability. But I had to work hard and prove myself, much more than my male counterparts, to sustain that faith.

Q. Your best teacher in business

A. It is my father-in-law. He has taught me to think laterally and stay ahead of the opponent in litigation. My business degree helps me understand how businesses work and the challenges they face. It helps me come up with a solution that is practical and business-oriented.

Q. Two key lessons for young people

A. Understand who your competitors are in a constantly changing world. Never take your competition for granted. Also, never stop working hard, no matter how senior you become.

Q. Two essential qualities a leader must have

A. One is internal. A leader should not only have a vision but also have a pathway to take others along to achieve that vision. Another is the ability to reach out to clients and understand their issues as one's own. BT

"A LEADER SHOULD NOT ONLY HAVE A VISION BUT ALSO HAVE A PATHWAY TO TAKE OTHERS ALONG TO ACHIEVE THAT VISION"

Vol. 27, No. 6, for the fortnight March 12—25, 2018. Released on March 12, 2018. Total number of pages 156 (including cover)

MONEY TODAY

March 2018

Bond markets to be under pressure *p14*

GAINING FROM FIXED MATURITY PLANS *p18*

Best Mutual Funds *p30*

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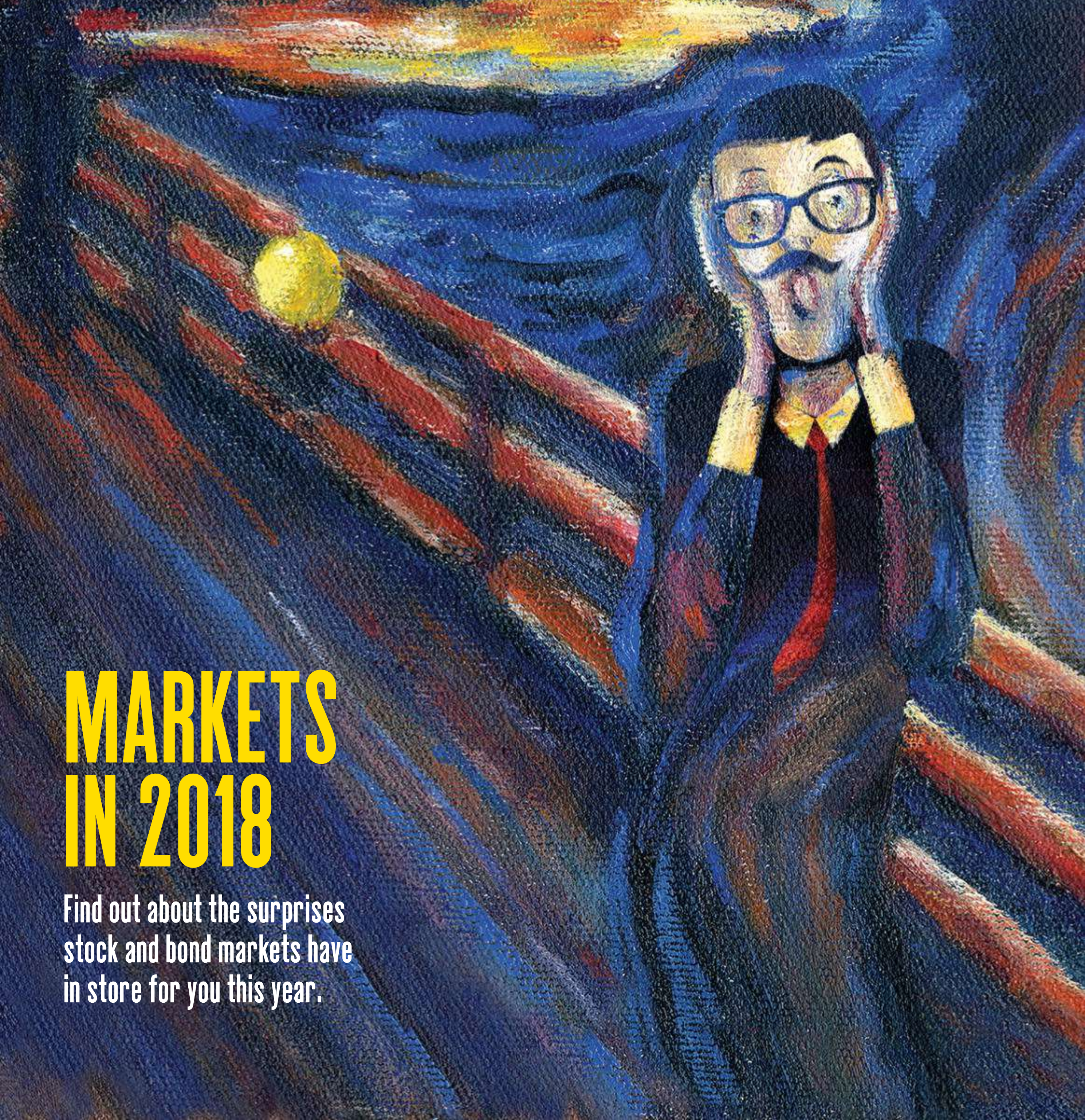

MARKETS IN 2018

Find out about the surprises stock and bond markets have in store for you this year.


MUTUALFUNDS
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Moderate
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High
RISKOMETER
Investors understand that their principal will be at moderately high risk
Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

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Volume 13, Number 3, March 2018

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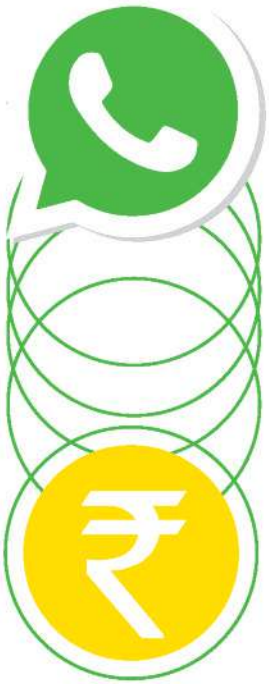


DIGITAL PAYMENT

WhatsApp Pay For Android Users

The new WhatsApp Pay feature, which allows users to send and receive money, has been rolled out for Android users. The beta version has been launched for a limited number of users and will cater to a million people. The payment feature is based on the Unified Payment Interface, or UPI, which is currently offered by 71 banks. To transfer money via UPI, users are not required to disclose account numbers or bank details. All transactions can be done using one's phone number or the virtual payment address (VPA). With WhatsApp Pay, one can transfer money instantly from one bank account to another via a smartphone.

LEGISLATION

Bill to Ban Unregulated Deposit Schemes

To safeguard the savings of small investors, the Union Cabinet, chaired by Prime Minister Narendra Modi, has given its approval to introduce Banning of Unregulated Deposit Schemes Bill, 2018, in Parliament. The aim is to check illicit deposit-taking schemes, which happens to be a widespread practice in the country. According to an official statement, "Companies/institutions running such schemes exploit existing regulatory gaps and lack of strict administrative measures to dupe poor and gullible people of their hard-earned savings."

The Bill features three different types of offences, namely, running of unregulated deposit schemes, fraudulent default in regulated deposit schemes and wrongful inducement in relation to unregulated deposit schemes. The Bill states it will provide for punishment and heavy pecuniary fines to act as a deterrent. Moreover, for the orderly growth of the chit funds sector and for removing the bottlenecks being faced by the chit funds industry, various amendments to the Chit Funds Act, 1982, have been proposed.

ILLUSTRATIONS BY RAJ VERMA

HEALTH INSURANCE

Court Slams IRDAI Over Genetic Disorder Exclusion

Delhi High Court ruled that excluding genetic disorders from insurance policies is discriminatory and violative of citizens' right to health. The high court also told the Insurance Regulatory and Development Authority of India (IRDAI) that its primary duties include "settlement of insurance claims" and "governing and regulating" exclusions in insurance contracts. "IRDAI ought to have supervised the manner in which the term genetic disorders is being misused by insurance companies to reject genuine claims. Obviously, it turned a blind eye to the functioning of insurance companies," the court said.

EPF

8.55%

The interest rate on provident fund deposits for 2017/18 as against 8.65 per cent in 2016/17, which will impact over six crore people. Employees' Provident Fund Organisation (EPFO), a retirement fund body, has lowered the interest rate by 0.1 per cent after the Central Board of Trustees (CBT), EPFO's apex decision-making body, recommended the interest rate cut. Currently, the 10-year G-Sec yield is trading at 7.66 per cent, which is a difference of 90 basis points from the recommended interest rate.

DIGITAL CLAIMS FILING

EPFO Mandate

Employees' Provident Fund Organisation (EPFO) has made it mandatory to file online claims for provident fund withdrawals above ₹10 lakh. Now it is also compulsory to file online claims for withdrawals of above ₹5 lakh under the Employees' Pension Scheme 1995. At present, EPFO subscribers have the option of filing online as well as manual claims for PF withdrawal as also for pension. Under the new regime, a subscriber's bank account has to be seeded and verified in the system before online claims can be settled. Moreover, he/she must have a Universal Account Number and the same must be activated. The decision was taken at a meeting chaired by Central Provident Fund Commissioner on January 17, 2018, an official said.

POLICY

PPF Relaxations

The government may reduce the lock-in period for Public Provident Fund (PPF) accounts and may also allow an early withdrawal in case of financial emergencies. The government plans to bring all small savings schemes under one umbrella law as proposed in this year's Union Budget. It involves putting in place the Government Savings Promotion Act and repealing the Public Provident Fund Act, 1968, the Government Savings Certificate Act, 1959, and the Government Savings Bank Act, 1873. The interest rate offered by PPF is linked with yields on government bonds with a small markup. The rates are subject to revision every quarter. The latest is 7.6 per cent for the current quarter.

QUOTE

"We paid 8.65 per cent last fiscal, which left a surplus of ₹695 crore. This year, we have decided to recommend 8.55 per cent for 2017/18, which will leave a surplus of ₹586 crore"

Santosh Gangwar, *Labour Minister, on lowering the interest rate on EPF deposits*

CHOPPY WATERS

Have markets become more volatile or are they witnessing a minor correction that will bring the stocks down to comfortable valuation levels?

By Kundan Kishore, Illustrations by Ajay Thakuri

7.2%

Fall in Sensex from its peak in January 2018

Till the end of CY2017, money was up for grabs, and plenty of it, even if you were not an extremely savvy investor always picking the right stocks and timing things right. A back-of-the-envelope calculation reveals nearly 90 per cent of the BSE 500 stocks posted positive returns last year. It means had you randomly picked up 10 stocks, nine out of those 10 were sure to ring the cash register. The markets had entered the Goldilocks phase at the time; there was low volatility or choppiness, and returns were high. Most mid-cap and small-cap indices returned huge profits.

But now a string of events, along with already sky-high valuations, has made the stocks jittery. Since the beginning of CY2018, markets have seemingly entered choppy waters, and investors who have come in late are seeing a sea of red in their portfolios. The Sensex has tumbled nearly 2,670 points or 7.2 per cent from its peak in January this year. Ditto for other indices such as the BSE Mid-cap and the BSE Small-cap that have skidded 10.5 per cent and 12 per cent, respectively. In other words, it is a new phase in the market where people have to ask the right questions before investing. Ask yourself if it is a crash or correction, a new trend setting in or some minor volatility that has always plagued the market. Should you invest more now? Has the market become riskier or has the correction brought stocks down to comfortable valuation levels?

Pricey Equities Are Dicey

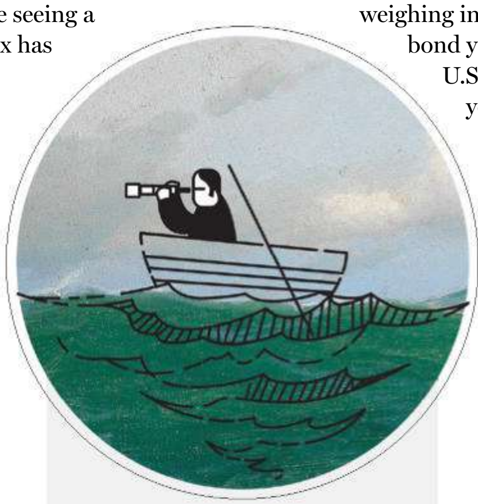
Of all the factors driving the market, valuation is still a major cause of worry. Despite earnings downgrades, markets kept scaling new highs, largely fuelled by liquidity, taking Nifty valuations to 18-19x its FY2018/19 estimated earnings, which is slightly above its long-term average of about 17x earnings. Even on broader parameters like the market cap-to-GDP ratio, now at 90 per cent of 2017/18 estimated GDP, valuations are way beyond comfortable levels (see chart *Trend in India's Market Cap to GDP*).

India is not alone. Globally, Shiller's cyclically adjusted price-to-earnings or CAPE ratio (a valuation measure usually applied to the US S&P 500 equity market) at current levels of 32x is much higher than the past average of 15x or that of 27x, seen just before the global equity market crashed in 2008. Increasing valuation risks across the globe only add to India's woes as the markets here will be in step with others.

Flashes of Amber, Globally

Apart from valuations, markets are increasingly factoring in risks of higher crude oil prices. With global commodity prices soaring, including crude oil prices, investors are weighing inflation risks. Consequently, global bond yields have spiked, with the benchmark U.S. 10-year Treasury yield hitting a four-year high at about 2.9 per cent.

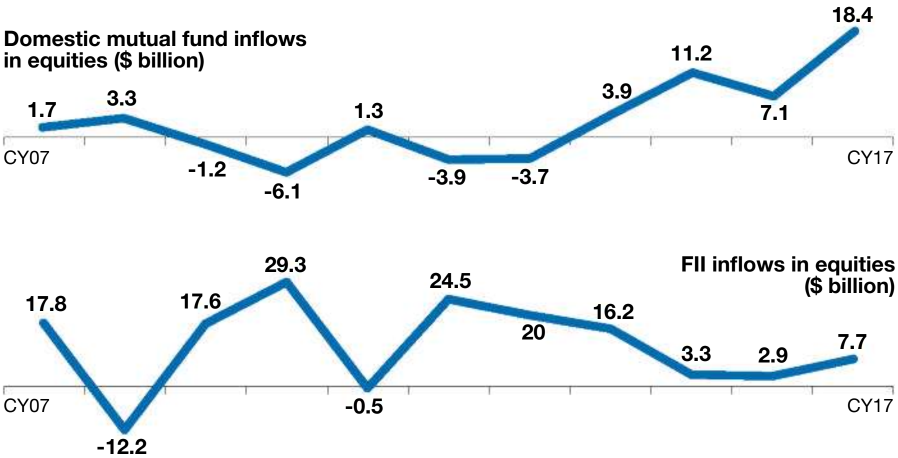
Rising US bond yields could have its implications on foreign inflows, which have been the prime source of optimism in the past. Imposition of long-term capital gains (LTCG) tax by the government in its recently concluded Union Budget has only compounded foreign investors' worry. During 2017, foreign investors put nearly \$7.7 billion in the Indian equity markets compared to \$2.9 billion in 2016 (see table *Investments and Money Churners*). Assuming part of it is merely tactical money, any outflow or change in views will cause volatility. Foreign institutional investors, or FIIs, have already caused huge volatility by selling close to \$1 billion of their investments in the Indian equity markets. However, experts are still expecting robust inflow. "After 2008, we never had a year of negative inflow. We could have a lesser inflow but not a negative one. We anticipate a robust inflow on the back of rupee appreciation and the India growth story," says Harendra Kumar, Managing Director



Shape of the Market

- Expect more choppiness as yields rise globally
- Earnings revival will drive stock prices, not just liquidity
- Investors could see their patience tested; so, one may have to hold stocks for a longer time
- Buy on dips should be the mantra; do not chase the rise

INVESTMENTS AND EQUITY RAISED



Equity Raised

Year	Mode	Amount in ₹ crore
CY16	IPOs	27,000
	QIPs	4,800
	OFS	12,500
	Total	**44,300**
CY17	IPOs	76,000
	QIPs	59,800
	OFS	20,700
	Total	**1,56,500**

Source: Analyst Research Reports

and Head of Institutional Equities at Elara Capital.

Meanwhile, the major tax overhaul in the US, including $1.5 trillion tax relief for corporate bodies and individuals, has fuelled concerns about the U.S. balance sheet risk and hardening of the global yield curve, which may lead to a possible rate hike by the Reserve Bank of India. Do not forget that tactical money tends to shift offshore as investors consider equity to be more expensive than debt or interest-bearing securities.

Choppiness, For Now

All this means stock markets could become choppier in the coming year. "Volatility was unusually low in 2017, not just in India but also globally. It was not sustainable, and the markets are becoming volatile again. We expect equities to be more volatile with relatively modest returns this year than in 2017," says Harsha Upadhyaya, Chief Investment Officer (Equities) at Kotak Mutual Fund.

Today, investors are worried whether the Indian stock markets are going through a correction phase. Will imposition of LTCG tax impact sentiment? And how will markets react with the U.S. yields rising and with the general elections in India next year?

"The correction over the past few weeks can be ascribed to unsupportive global developments as well as domestic policy events (especially the Union Budget). Hardening of bond yields globally is one of the key factors driving the market correction. Bond yields in India have hardened from 6.3 per cent in July 2017 to ~7.6 per cent. We think after the rise in bond yields, the markets (especially mid-caps) were looking expensive. Mid-caps were trading at a premium of 40 per cent to large-caps – an all-time high. The recent correction, however, has moderated this premium," observes Siddhartha Khemka, Head of Retail Research at Motilal Oswal Securities.

Volatility was unusually low in 2017. It was not sustainable, and the markets are becoming volatile again. We expect equities to be more volatile with relatively modest returns

Harsha Upadhyaya, Chief Investment Officer (Equities), Kotak Mutual Fund

What is certain at this time is uncertainty, with a bias towards the equity market correction. "Given the current state of affairs, both international, as well as domestic, equity markets could continue to be volatile in the next five-six months. Globally, central banks, including the U.S. Fed, will be in action and movement in commodity prices will impact equity markets," he adds.

Earnings to Lead Revival

Volatility should not mean deep correction. It may not even be prudent to wait for a deep correction because the earnings growth outlook is still good. As the famous saying goes, "In the long run, markets are slaves of earnings," and markets are only supported by earnings growth.

FY2017/18 saw the steepest earnings downgrades, driven by a slowdown fear caused by the impact

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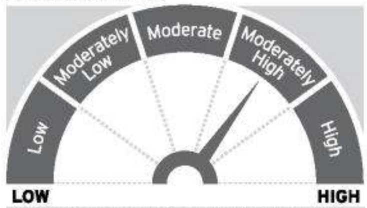

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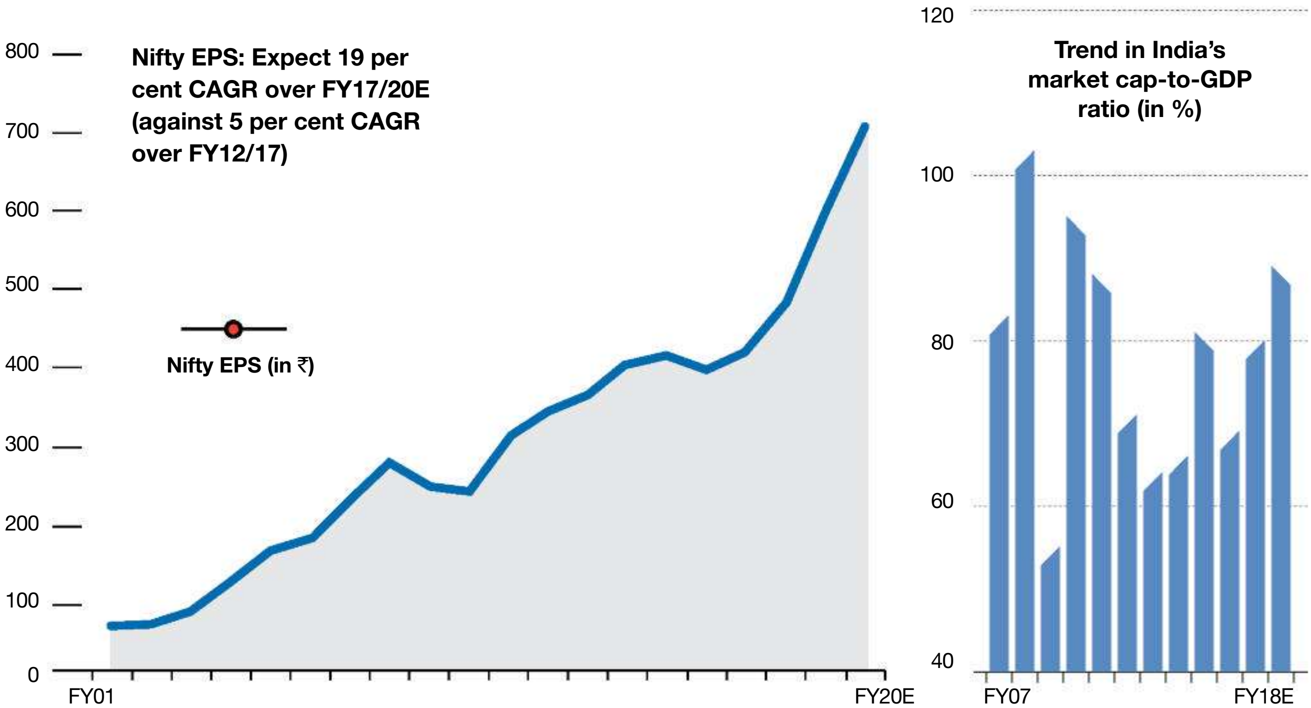

Source: Motilal Oswal Securities

of demonetisation on the informal economy and the implementation of Goods and Services Tax (GST). The consensus expected Nifty earnings per share (EPS) to be around ₹550 at the beginning of the year, which is now ₹489, down about 11 per cent. But in this process, earnings have made a strong base over the last four years (see chart *Nifty EPS*).

To put things in perspective, Nifty EPS hardly moved up from ₹407 in 2013/14 to ₹421 in 2016/17. It is only in 2017/18 and 2018/19 that earnings are expected to move to ₹489 and ₹598, respectively, a growth of nearly 42 per cent in absolute terms and 19 per cent annualised.

The momentum was already seen in the December quarter results. "The current result season has been broadly in line with expectations. However, due to disappointment from heavyweights such as State Bank of India (SBI), Tata Motors, Lupin and Oil and Natural Gas Corporation, the overall Nifty earnings growth in Q3 has been 7 per cent. Excluding SBI, Nifty PAT grew 16.6 per cent compared to an estimated 17.5 per cent. We believe overall earnings growth is likely to be strong in the next two years. And given the expectation of a pick-up in earnings, valuations could sustain at current levels," says Khemka.

Arun Thukral, MD and CEO of Axis Securities, concurs. "The rally was on expectations of earnings growth, which is slowly materialising. The earnings revival has been observed from Q2 2017/18 where an annual growth of 10 per cent was witnessed, followed by a Q3 growth of 22 per cent compared to the same quarter in 2016/17. Moreover, the earnings revival has been broad-based except for PSU banks and oil marketing companies, or OMCs."

People are advised to stay invested in quality companies with growth potential and use the opportunity to add to the existing portfolio

Arun Thukral, MD and CEO, Axis Securities

Reality Check

Should you buy into this correction? Interestingly, global and domestic economic growth are coinciding for the first time after 2007 and 2008. The India Economic Survey 2018 pegs the country's economic growth at 7-7.5 per cent in 2018/19 compared to 6.75 per cent in 2017/18. Also, the government's push for additional spending on infrastructure and social schemes and the expected benefits of recent reforms like GST should start to reflect on overall growth ahead.


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The global environment has been conducive as well. China has stabilised; Western economies are growing faster, and oil-producing Gulf countries are recovering with oil prices hovering well above suitability levels. The International Monetary Fund, in its January 2018 Global Economic Outlook report, projected global economic growth of 3.9 per cent in 2018, against 3.2 per cent in 2016 and 3.7 per cent in 2017.

The IMF says in its report, "Global economic activity continues to firm up. Global output is estimated to have grown by 3.7 percent in 2017. Global growth forecasts for 2018 and 2019 have been revised upward by 0.2 percentage point to 3.9 percent. The revision reflects increased global growth momentum and the expected impact of the recently approved U.S. tax policy changes."

The US tax cut for both corporate bodies and individuals means more money for companies and consumers. It can fuel global growth considering the US is one of the largest consuming nations in the world. Another critical factor that can work in favour of the markets is liquidity. While the FII mood may swing as they are already heavily invested in the Indian market, domestic money flows are buoyant.

In fact, most domestic mutual funds are sitting on cash. Second, a lot of money has been shifted to balanced funds, awaiting the correction. Third, mutual fund schemes, which have stopped accepting fresh investments as they fear higher valuations and lack of investment ideas, will be waiting for the right opportunity to strike. If they come back, that will be in addition to the existing SIPs of about ₹6,000 crore waiting every month for deployment.

7-7.5%

Estimated economic growth in FY2018/19 as predicted by India Economic Survey

7%

Overall Nifty earnings growth in Q3 of FY2017/18

The mid- and small-cap space looks stretched, but certain pockets are still at a reasonable valuation and offer opportunities to make money

Prateek Agarwal, Business Head and Chief Investment Officer, ASK Investment Managers

The Hunting Ground

The above insights bring us to the muted point – if fundamentals are in good shape, it may not be prudent to sell everything and wait for a deep correction as timing the market could be a risky proposition.

"The correction in the market has been driven by global risk aversion on the back of expected rise in the pace of interest rate hikes in the US, coupled with mopping up of excess liquidity. The markets are expected to consolidate at current levels in the short run, ahead of the events lined up before the next US Fed meet in mid-March. So, any correction should be used as a prospect to buy at attractive levels. People are advised to stay invested in quality companies with growth potential, use the opportunity to add to the existing portfolio and take exposure in the good companies they had missed in the last rally due to a run-up in valuations," says Thukral of Axis Securities.

At what levels markets would become attractive? Past market average valuations at around 15-16 times one-year forward earnings happen to be a good spot to hunt for bargains and look for increasing exposure. If correction takes place at around 15-16 times forward earnings, Nifty would be about 8,970-9,568 or 8-13.5 per cent lower than its current level of 10,378.

Investors would be better off buying the weakness and using the volatility to their advantage to gradually increase their exposure to equity. Warren Buffet, the legendary investor, defines risk as permanent loss of capital rather than volatility. Investors should fear the losses that could be caused by poor investment ideas or businesses rather than volatility. The second important point emphasised by the market pundits is to stay with quality names and not to leverage.

During past rallies, investors have bought quite a few stocks in the hope of a turnaround irrespective of the quality of the business and its management. Valuations and investor interest in these stocks are at the highest, particularly in the mid-cap and the small-cap space. Moreover, at current valuations, the BSE Midcap

and the BSE Small Cap indices are trading at 40 times and 114 times their trailing 12-month earnings, respectively. Investors have started factoring in many future expectations in the case of mid-cap and small-cap companies, which may or may not deliver in the near term, and that could mean a longer waiting period.

"In the recent correction phase, the mid-cap and the small-cap segments have seen more declines than the large-cap segment. However, premium valuations of these segments continue compared to the large-cap segment. If one is investing for more than five years and can withstand higher interim volatility, only then he/she should choose the mid-cap or the small-cap segment," says Upadhyaya.

Strategy Rejig May Help

All in all, stock markets are at that stage where investors will have to dig deeper and find stocks with still some value left, especially in the mid- and small-cap categories. "As for valuation, the mid- and small-cap space looks stretched, but there are certain pockets which are still at a reasonable valuation and offer opportunities to make money," says Prateek Agarwal, Business Head and Chief Investment Officer at ASK Investment Managers. The rising tide of liquidity is not going to lift all boats; so, stock price appreciation will be more selective. It means nine out of 10 stocks are not going to rise. Expect more of the reverse to happen, which means one or two out of 10 will end up with positive returns. It also means you have to be sharper and more vigilant with your stock selection.

Another big factor is the holding period. Gone are the days when investors could make 30-40 per cent returns in a year. So, expect a fall in returns, which is perhaps more realistic. And here is one last criterion: Now you may have to hold on to equities a lot longer. If you are not prepared to invest and hold on to stocks for three to five years, this market may not be for you. MT

Kundan Kishore is a freelance writer based in Mumbai

FORM – IV

Place of Publication:	New Delhi
Periodicity of its Publication:	Monthly
Printer's Name:	Manoj Sharma
Nationality:	Indian
Address	A-3/723,Tower -8 Silver City, Sector-93, Noida-201301 Uttar Pradesh
Publisher's Name:	Manoj Sharma
Nationality:	Indian
Address:	A-3/723,Tower -8 Silver City, Sector-93, Noida-201301 Uttar Pradesh
Editor's Name:	Mr. Prosenjit Datta
Nationality:	Indian
Address	D-189, Vivek Vihar, Delhi-110095

Names and Addresses of individuals who own the newspaper and partners or shareholders holding more than one percent of the total capital:

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BOND NOT THE BEST

Rising yields mean bond fund portfolios will be under pressure for a considerable time period.

By Jigar Pathak

Rising bond yields and the resulting treasury losses are telling on profitability of banks. Yield on the benchmark 10-year government securities (G-sec) surged 67 basis points (bps) during the third quarter due to fiscal worries. To be sure, these are mark-to-market, or MTM, losses on investment portfolios that can be reversed if the yields correct. But experts think there is a larger concern. "Banks are not actively participating in the market. This is driving up yields," says Dwijendra Srivastava, who oversees around ₹18,000 crore in various debt schemes as Chief Investment Officer, Debt, Sundaram Asset Management Company.

"What will work well now is accrual strategy, staying with shorter duration papers to contain the risk of capital erosion and staying with high quality paper."

Once Bitten, Twice Shy

The one-side movement of bond yields since September last year is troubling bankers. Banks are apprehensive of committing more investments as they fear more losses if yields further harden from here.

According to ratings agency ICRA, the yield on the old 10-year government of India security (6.79 per cent GS 2027) had increased by 123 basis points (bps) to 7.72 per cent on February 14, 2018, from 6.48 per cent on September 1, 2017. Moreover, the yield on the new 10-year benchmark G-Sec (7.17 per cent GS 2028) rose from 7.17 per cent, when it was first issued in January 2018, to 7.60 per cent on February 1, 2018, before easing somewhat to 7.49 per cent as on February 14, 2018. "There is clearly a demand-supply mismatch," says Srivastava. "If government front loads its expenditure, it will also front-load its borrowing. We should not forget that it's a pre-election year. Banks need to come back (to the market). At the policy level, a lot of engagement will be needed," he says.

The RBI ensures demand for government paper by mandating banks to maintain a statutory liquidity ratio, or SLR, of 19.5 per cent of deposits. However, in the absence of substantial credit off-take, banks' SLR is 10 per cent more than what they need to maintain. "Commercial banks already hold a significant portion of their assets in the form of central government bonds, and as credit growth picks up and liquidity surplus narrows, the appetite of commercial banks for more government bonds is likely to decline," Goldman Sachs said in a research note dated February 13.

Budget — Broken Promises

So, will credit growth pick up so that banks can increase lending and not park money in government paper? Although private investment is muted, the government is slated to grow its expenditure by 10 per cent in 2018/19. But for this it will have to breach its fiscal promises.

As feared by the bond markets, not only did the government revise the fiscal deficit target from 3.2 per cent to 3.5 per cent of the gross domestic product (GDP) for FY18, it set the 2018/19 target at 3.3 per cent of GDP as against a promised glide path of 3 per cent of GDP. Due to this, the government will have to borrow ₹6.06 lakh crore as against ₹5.8 lakh crore in the current year. For 2018/19, net of redemptions, the figure stands at ₹4.6 lakh crore. For absorption of more paper, the government will have to offer higher interest rates. A rise in yields will depress prices of existing bonds.

"There was no clarity on many fronts since August last year," says Mahendra Jajoo, who oversees ₹2,000 crore in assets as head of fixed income at Mirae Asset Global Investments (India). "Trends in oil prices and food inflation were uncertain. Goods and Services Tax collections were uncertain. There was a greater worry of government breaching its fiscal deficit target. Macros suddenly turned challenging for India."

Jajoo is hinting at rising prices of crude oil. In recent months, some global central banks have started tightening. There are also fears of foreign portfolio investors (FPIs) withdrawing from emerging markets like India for safer havens. There are also concerns regarding the strength of the demand for G-secs from banks and FPIs.

FPI Limits

"The signals are that FPI limits will be eased gradually for long-term investors," says Srivastava of Sundaram MF. At present, FPIs are allowed to invest in central government securities to the tune of ₹2.55 lakh crore; the figure for state government securities is ₹45,000 crore. FPIs have already utilised around 98 per cent of those limits. "The government typically opens up by 5 per cent every year gradually," says Jajoo of Mirae Asset. The problem with allowing more FPI money is that it can lead to rupee appreciation, affecting exports and hitting the economy. FPIs hate rising inflation, which can mean tighter monetary policies, lowering returns on their bond portfolios.

Inflation and Interest Rates

The RBI's monetary policy presented on February 7 left the policy rate unchanged at 6 per cent. The overall stance remained neutral. The RBI raised its consumer price infla-

tion target for the first half of 2018/19 to 5.1-5.6 per cent. For the second half, it projected a 4.5-4.6 per cent range with risks tilted to the upside. "The RBI's view that 'the nascent recovery needs to be carefully nurtured' was a game changer. Equally important was that the stance (neutral) will continue. We are looking at a prolonged pause (in interest rates)," explained Jajoo as yields corrected across maturities after the RBI policy.

The RBI had last cut rates by 25 bps in August 2017. Although hardened bond yields are suggesting a rise in interest rates, most experts think the rates are unlikely to change in the near term. "We do not expect the monetary policy committee to rush into increasing rates at its upcoming meetings. The path of monetary policy will likely remain largely data dependent in the coming months, with a bias for caution," Barclays said in a note dated February 16.

Going into the next fiscal, the inflation outlook will depend on monsoon, oil prices and impact of the minimum support price (MSP) bonanza announced in the Union Budget. "Crude oil is known for its two-way movement. With borrowing over for the current fiscal, bond yields will settle. Things will get clearer by April-May," says Srivastava of Sundaram AMC.

The government's borrowing programme for 2018/19 is expected by March-end or early April. Early estimates of monsoons will also be out by then. The extent of MSP increases for kharif crops will be out by May 2018.

According to ICRA, the new 10-year benchmark G-Sec maturing 2028 will trade in a range of 7.35-7.65 per cent over the next eight months, until September 2018. It remains to be seen what the RBI does to policy rates in its June monetary policy.

Fixed deposits of some small finance banks are offering good returns. Risk-averse investors can consider these.

For Savers and Investors

Clearly, the RBI is unlikely to change the repo rate — at which banks borrow from it — in a hurry. At the same time, policy makers will try to talk down yields in the near to medium term to lower the borrowing cost of the government.

But as things stand today, G-Sec yields — a gauge of interest rates in the economy — are indicating at least a few 25 bps rate hikes by the RBI. It will be a good opportunity for new fixed income investors to lock in money at higher rates.

Debt funds: Existing investors, especially in debt mutual funds with focus on gilt and income funds, have earned lower returns than bank fixed deposit rates in the last few months. Panic has set in as most investors link volatility with stock markets and see bond markets as risk-free!

"These are notional losses. In a rising interest rate cycle, NAVs will be negatively impacted, and in a falling interest rate cycle, NAVs will be positively impacted and capital gains will accrue. There has been a pause in the interest rate reduction cycle and there is a chance that the rates may rise. However, that seems to be at least a couple of quarters away," says Suresh Sadagopan, Founder, Ladder7 Financial Advisories, a specialist financial planning and advisory firm which caters to around 500 retail and HNI clients.

Suresh adds, "What will work well now is accrual strategy, staying with shorter duration papers to contain the risk of capital erosion and staying with high quality paper. This will minimise risk to a great extent and can yield better returns than FDs on a post-tax basis." To lock-in higher interest rates, one can also consider fixed-maturity plans or FMPs. FMPs are close-ended funds. They have a duration of three years and help avoid volatility between periods.

Investors who can stomach volatility can go for duration funds. "Duration funds offer an investment opportunity as we do not expect a rate hike in the next few months and believe that the high spread of G-Sec yields over the repo rate is more than pricing the near-term concerns. The 10-year G-Sec yield should trend lower once negative sentiments recede. However, only aggressive investors should consider these funds as volatility may remain high," suggests ICICIdirect.com Research.

Fixed Deposit: As inflation keeps the RBI on the edge, interest rates are unlikely to go lower from here. The returns are guaranteed and interest rates are locked up-front. Fixed deposits of some small finance banks are offering good returns. Risk-averse investors can consider these. However, FDs are taxed as per the income tax slab that one falls under. Taxation is a big negative here.

Small Savings Schemes or SSS: Interest rates were lowered by 0.2 per cent in December. Returns are benchmarked to G-secs and tweaked every quarter. Public Provident Fund (PPF) and National Savings Certificate (NSC) fetch a lower annual rate of 7.6 per cent while Kisan Vikas Patra (KVP) yields 7.3 per cent. The girl child savings scheme, Sukanya Samriddhi Account, offers 8.1 per cent annually. SSS returns post tax are a better proposition than bank FDs. Many experts think that in an election year and in high bond yield environment, SSS rates can be expected to be recalibrated upwards. MT

Jigar Pathak is a freelance writer based in Mumbai

THE FMP ADVANTAGE

Indexation benefits make three-year FMPs a good bet. By Khyati Dharamsi

ILLUSTRATIONS BY AJAY THAKURI

Come March and there will be a flurry of new fund offers from asset management companies in the country. Most of them will not be for regular equity-oriented mutual funds but what are called fixed maturity plans or FMPs -- close-ended debt schemes whose money is invested in fixed-income securities for a specific tenure.

"Coupon rates are going up and, hence, FMPs have become attractive. Debt yields have also been going up. On the other hand, fixed deposit rates are not likely to move up until the Reserve Bank of India increases the rates. The only way to benefit from these rising yields is by investing in debt funds. The AA papers can earn up to 100 bps (1 per cent) more than government securities," says Vidya Bala, Head of Mutual Funds Research at FundsIndia.

Axis Mutual Fund, Aditya Birla Sun Life Mutual Fund, Invesco Mutual Fund, Reliance Mutual Fund, SBI Funds, Sundaram Mutual Fund are all offering FMPs with durations ranging from 1,159 days to 1,386 days. If you think the duration is inspired by numerology, you are mistaken. By launching FMPs towards the fag end of the financial year, fund houses help investors claim inflation indexation benefit for four years – 2017/18, 2018/19, 2019/20 and 2020/21. The investments would be held for a little more than three years between March 2018 and April 2020.

"Coupon rates are going up and, hence, FMPs have become attractive. Debt yields have also been going up. The only way to benefit from these rising yields is by investing in debt funds"

Vidya Bala, Head of Mutual Funds Research at FundsIndia

Rate Cycle

Returns from debt instruments that FMPs invest in depend on interest rates. While the market is anticipating at least one interest rate hike in the near future, which is the reason why bond yields are rising, experts are of the view that the increase will take some time. "I think the rate hike anticipation is far-fetched. Even if we don't say that the rates have bottomed out, we are seeing a flat cycle with very little upward move," says Lakshmi Iyer Chief Investment Officer (Debt) & Head Products at Kotak Mahindra Asset Management Company. To lock-in higher interest rates, one can consider FMPs and, thereby, avoid volatility between the two rate cycles.

Tax-efficient Structure

The biggest attraction of FMPs is inflation adjustment -- or indexation as it is called in technical terms -- of gains. Basically, the purchase price is adjusted with inflation, which reduces actual gains and, hence, lowers the tax burden. Returns from FMPs or debt mutual funds held for the long term (more than three years) are eligible for this. The returns from bank fixed deposits, on the other hand, are added to one's income and taxed as per the slab.

So, if you have invested ₹1 lakh in an FMP for three years and the same amount in a bank fixed deposit, then the math would work out as follows (see *How Indexation Works*). If you are in the highest tax bracket, you would earn ₹22,746 from an FMP after tax and ₹16,283 from a fixed deposit, thanks to the indexation benefit that FMPs are eligible for.

Bala explains. "FMPs are tax-efficient. If you invest ₹10 lakh each in a three-year FMP and a fixed deposit for the same period, the post-tax yield of fixed deposits for those in the 30 per cent tax bracket would be 5 per cent even if it is giving a 7 per cent return. However, even after paying 20 per cent tax post-indexation, a three-year FMP would give a 6.6 per cent return. The difference of 1.6 per cent is significant."

In essence, however, both FMPs and bank fixed deposits are debt investments that do not have an equity component. FMPs give 75-100 bps higher returns than deposits of equivalent tenures. But while a bank can assure you the amount it will pay at the end of the period, FMPs cannot guarantee any return. All they can provide is an indicative yield based on the current returns on debt instruments it invests in such as certificate of deposits, money market instruments, corporate bonds, commercial papers and bank fixed deposits.

The Risk Factor

FMP fund managers follow a buy-and-hold strategy. Though fund managers lock in their debt investments at the beginning,

HOW FMPs HOLD UP AGAINST FDs

FDs	FMPs
Debt instrument offered by bank	Debt instrument offered by mutual funds
Guaranteed return	No guarantee; offer indicative yield
Option of withdrawing money mid-term by paying a small interest penalty	Restricted mid-term liquidity; the only option is selling on stock exchanges
Can invest any time with bank	Invest only during new fund offers
Insurance up to ₹1 lakh if the bank collapses	No insurance in case of default
No inflation adjustment of gains, which are fully taxed	Indexation available after three years

HOW INDEXATION WORKS

	FMP	FD
Money invested	₹1,00,000	₹1,00,000
Estimated returns	7.5%	7%
Maturity Amount	₹1,25,099	₹1,23,261
Gains (A)	₹25,099	₹23,261
Indexed purchase cost (B)	₹1,13,333 (Indexation for 2014/15 to 2017/18)	NA
Gains after indexation (C)	₹11,766	₹23,261
Tax payable (D)	₹2,353	₹6,978 (30% bracket)
Net Gains (A-D)	₹22,746	₹16,283
Post-tax return	7.35%	6.60%

"I think the rate hike anticipation is far-fetched. Even if we don't say that the rates have bottomed out, we are seeing a flat cycle with very little upward move"

Lakshmi Iyer, CIO (Debt) and Head, Products, Kotak Mahindra Asset Management Company

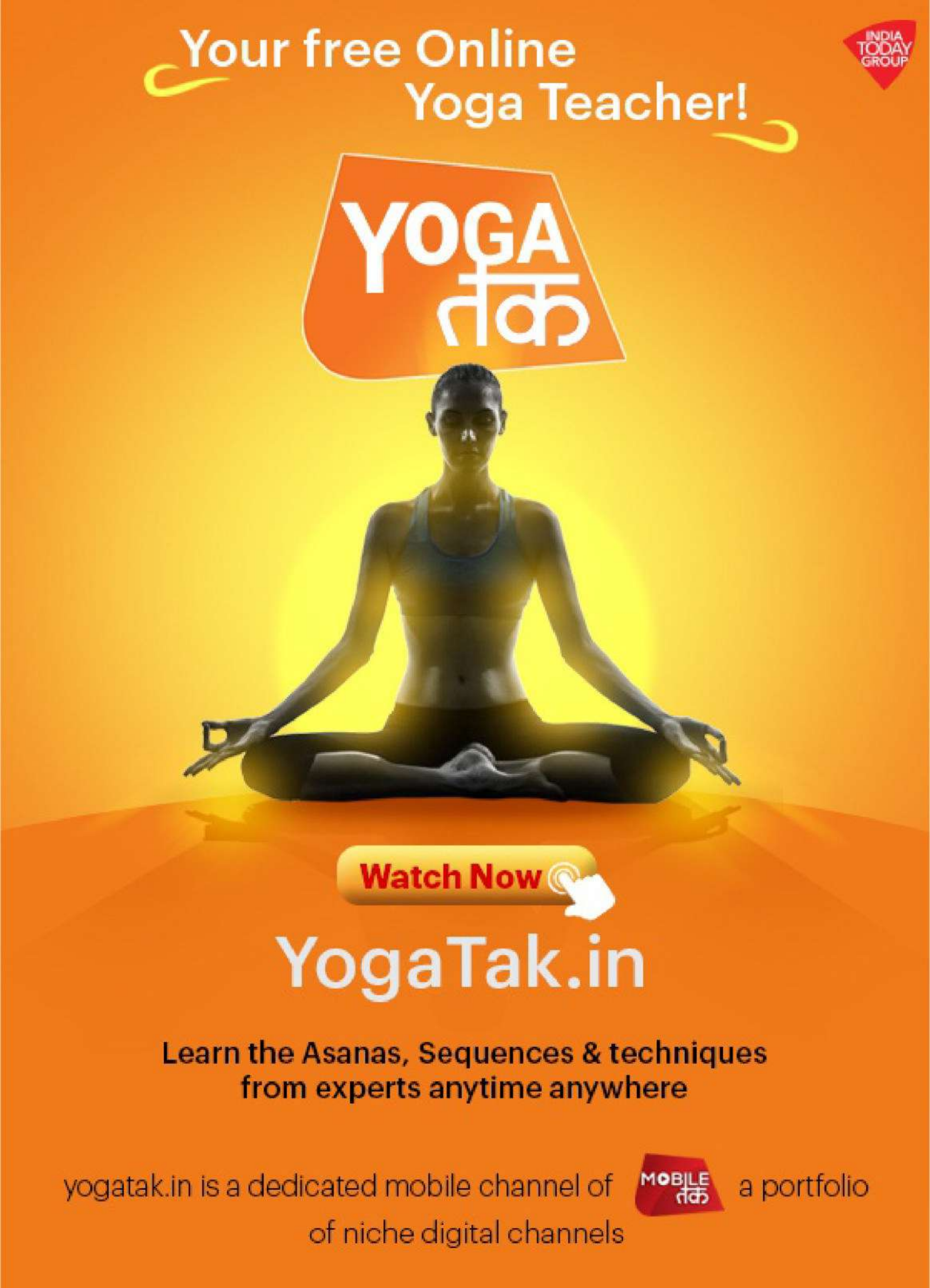
during the tenure, there is risk of corporate debt default, especially if the investments are not AA- or AAA-rated securities. One should take an informed call as a higher return could mean higher risk. "At present, most FMP portfolios are AAA," says Iyer. The yield on a five-year AAA-rated security is 7.8 per cent; for AA-rated instrument, it is slightly higher.

"FMPs are not a substitute for fixed deposits for those who are very risk averse as nobody is going to guarantee the returns," says Bala. Also, in FMPs, there is no option to take out cash prior to the maturity of the fund. Though FMPs are listed on exchanges, exiting them before maturity may be tough due to lack of liquidity. Or, one would have to sell at a deep discount. So, invest in FMPs only if you can hold till maturity.

For Senior Citizens

Starting financial year 2018/19, those in their silvers would get an additional ₹50,000 exemption for interest earned from fixed deposits and postal savings. So, instead of FMPs, they can consider other options. "Starting April 1, 2018, up to ₹50,000 interest earned by senior citizens will be tax exempt. So, we recommend that senior citizens exhaust their postal schemes and bank fixed deposit limits before locking funds in FMPs. The 7.75 per cent RBI bonds, although taxable, are still a good bet for senior citizens. Those looking for regular income can invest in ultra short-term debt funds and consider a systematic withdrawal plan," says Bala. MT

Khyati Dharamsi is a freelance writer based in Mumbai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"GROWTH, GOOD MARGINS LEADING TO OPTIMISTIC VALUATIONS"

The new tax regime has given insurance policies an edge over equity mutual funds. People planning for long-term goals will find them lucrative as there will be no long-term capital gain (LTCG) tax on their proceeds. But that is just one part of the story. In a freewheeling chat, Pankaj Razdan, MD and CEO of Aditya Birla Sun Life Insurance (ABSLI), and Deputy Chief Executive of Aditya Birla Capital, tells Teena Jain Kaushal what other factors will shape the life insurance industry in CY2018.

Q: The life insurance industry saw more than 25 per cent growth in 2017, largely fuelled by ULIP sales in a buoyant stock market. What is your take on it?

A: The growth was certainly a positive outcome, but ULIPs (unit-linked insurance policies that are tax-free) were not the sole trigger. It was a result of several socio-economic factors, which slowly but steadily charted out the growth path. Over the years, there has been increased awareness about protecting one's life, dreams and goals, and the financial instruments that can help. People are now willing to purchase life insurance solutions for holistic financial protection and don't consider them as mere investments. It is a social change, a change in the mindset of the masses.

Demonetisation helped as well. There was surplus liquidity in the system, more deposits took place and investments also increased. Of course, ULIPs riding a bull market added to the growth. But businesses like us thrived on a balanced product mix. Guaranteed products, protection solutions and traditional participating products have all contributed significantly to ABSLI's first year's premium.

Q: What about growth in 2018?

A: With interest rates falling and people looking for wealth conservation, guaranteed life insurance solutions will gain prominence. ULIPs, too, will retain the momentum owing to a bullish stock market and the new tax regime. Also, several over-the-counter solutions will be offered to enable hassle-free, on-the-go purchase, thus increasing penetration.

On the distribution front, the industry will leverage the open architecture model with more banks selling insurance solutions for more than one companies. It means there will be more and better options for customers while the distribution network will grow. The year 2018 will also witness the emergence of unique distribution models such as the India Post Payments Bank getting into insurance selling. These channels, along with the traditional agency, bancassurance and digital interfaces, will ensure better distribution and product penetration. The sector will see further transformation through innovation and digitisation. The growing use of the Internet will increase seamless access, fuelling demand for insurance products. All these factors will collectively lead the industry on the growth path.

Q: How will people benefit from investing in insurance policies now that LTCG is imposed on returns on equities? Will it apply to ULIPs?

A: LTCG will not be levied on ULIPs. So, for people looking at long-term savings/investments, ULIPs and other life insurance plans offering returns will be beneficial options under the new tax regime.

Q: Quite a few life insurers got listed in 2017. What do you think about their current valuation?

A: It is heartening to see that markets are optimistically valuing insurance companies. Their potentials are high due to a good growth trajectory and good margins, which will result in better profits. It is a positive for the entire industry.

Q: Has your company achieved break-even? When do you plan to get listed?

A: The company is already making profits. ABSLI is part of Aditya Birla Capital and its holding company is listed. As of now, we have no plan to list separately.

Q: What will be the benefits of linking Aadhaar with life insurance policy?

A: Linking Aadhaar to insurance policies is a great move and will benefit both insurers and policyholders. To start with, it will reduce the verification cost and provide better transparency, wiping out fakes and duplications while adding another layer of security. It will also simplify the onboarding process for a policyholder and provide accurate data for mass benefit programmes. It will be especially useful for senior citizens. Now people will not find documentation cumbersome and time-consuming. Pensioners and other claimants only need to register their Aadhaar numbers, and there will be quick verifications, and faster and timely pension payouts and claim settlements.

"Technology and innovation are going to disrupt this business. From understanding a product to buying it, executing a transaction, opting for a service or information – every touch point of a customer's lifecycle will see some tech intervention that will make his/her life simpler"

Q: What are the key concerns of the industry?

A: The biggest concern will always be people's lack of awareness regarding the importance of life insurance solutions. High level of operating expenses and customer retention are other key challenges. But things are steadily getting better with improved persistency ratios.

Q: What tech innovations should we expect?

A: Technology and innovation are going to disrupt this business. From understanding a product to buying it, executing a transaction, opting for a service or information – every touch point of a customer's lifecycle will see some tech intervention that will make his/her life simpler. Artificial intelligence will be integrated with the digitisation process to influence decisions, reduce mis-selling, increase transparency and enhance the ease of doing business. MT

@Teena_Kaushal

MONEY MATTERS

Managing your money can be tricky. Send your queries, and top-notch industry leaders will help you resolve any issue.

Taxation

Shubham Agarwal: **I am a salaried person aged 26 and earning ₹6 lakh a year. How can I reduce my income tax liability and plan for my retirement?**

Ashish Shanker, Head, Investment Advisory, Motilal Oswal Private Wealth Management, replies:

ELSS funds are a good option for income tax purposes as they offer tax savings, capital growth and relatively lower lock-in periods. You can invest in ICICI Prudential Long Term Equity Fund (Tax Saving)-Growth or Reliance Tax Saver-Growth fund. Also, contribute to the National Pension System (it offers an equity-debt mix but has higher lock-in period), buy term insurance and/or medical insurance to protect self and family or get a home loan where you can claim a tax deduction on the principal portion of the loan. All these will significantly reduce your tax burden.

Planning for your retirement is another good move. Ideally, you should invest in equity and balanced mutual funds via SIP. In the equity space, we recommend Kotak Select Focus Fund-Growth, Aditya Birla Sun Life Top 100 Fund-Growth, Motilal Oswal MOSt Focused 35 Fund and HDFC Balanced Fund. As for debt funds, try Aditya Birla Sun Life Short Term Fund or Franklin India Short Term Income Plan. Set aside a substantial amount every month after paying your bills. It will help you achieve all long-term goals. Start out with a higher equity allocation (70-75 per cent) and increase the debt component year on year to ensure a balanced portfolio that will reach its full potential by the time you retire.

As retirement is still a long way off, you can consider buying a house as your immediate goal. Owning an appreciating asset like a house has its benefits and saves expenses such as house rent.

Subhash Nagpal: **I invested in bitcoin last year and had a profit of ₹1,75,000. As bitcoins are not recognised by the Reserve Bank of India or the Indian government, do I have to pay tax on my gains? If yes, how should I show this income?**

Chetan Chandak, Head of Tax Research, H&R Block India, replies:

Existing laws in India do not have any specific provision for taxing income from bitcoin, but it is certainly not tax exempt. Moreover, the Income Tax Act is not concerned with the legality of a transaction. Any income, if not exempt, can be brought into the tax net. So, the question is: Under which income category will it be taxable and at what rate? There are three possibilities.

If you are regularly trading in bitcoins, it can be classified as a business activity. But the entire thing is virtual, and taxmen may try to treat it as speculative business income. If you incur a loss here but have other business incomes, you will not be able to adjust the loss against those.

A more tax-efficient move is to put bitcoin profits under capital gains. If bitcoins are held for more than 36 months, the long-term capital gains (LTCG) tax will be imposed, and such gains will be taxed at 20 per cent post-indexation. If the holding period is less than 36 months, it will fall under short-term capital gains, or STCG, and will be taxed as per the slab rate applicable to you. But in the absence of any guideline by the Central Board of Direct Taxes on the taxability of bitcoin, income tax officers may disregard your profit as capital gains.

Mutual Fund

***Shailendra Virmani:* I have been advised to park my emergency fund in a liquid fund. How should I choose one as the returns vary from fund to fund?**

Vidya Bala, Head of Mutual Fund Research, FundsIndia, replies:

Liquid funds are not too different in their returns as they have pretty much the same universe of treasury instruments for investment. However, you can look at a few metrics to gauge the performance and the risk. Look for a fund with a higher yield to maturity. Make sure that the fund's exposure is predominantly in treasury bills and A1+ papers. Also, see if the fund has a higher AUM and a lower expense ratio compared to its peers.

ILLUSTRATIONS BY RAJ VERMA

Home Insurance

***P. Rajkumar:* I recently purchased a house in Faridabad that cost me ₹40 lakh. I have taken a home loan to buy the house. Now I want to buy home insurance to safeguard the property. Please tell me how to choose a good policy and what is the likely premium?**

Yashish Dahiya, Co-founder and CEO, Policybazaar.com, replies:

Home insurance can be split into two parts – structure insurance and content insurance. These can be bought separately or as a clubbed policy. The clubbed policies are often known as comprehensive home insurance policies.

Before buying a policy, read all aspects of the insurance cover and make sure that the sum offered by the insurer is adequate to rebuild your house if it is damaged or demolished. Your policy should not have voluntary deductibles, and when buying it, you must submit a complete list of contents lying in your house, including paintings, white goods, electronics and the likes. Find out if gold and jewellery will be covered or not. Some insurers cover gold and jewellery by default while others offer it as an add-on and charge an additional premium. For ₹50 lakh sum insured (₹40 lakh for structure and ₹10 lakh for contents), the premium will be around ₹7,000-10,000, including add-on cover for gold and jewellery. MT

Please send your queries to moneytoday@intoday.com

PLAN WISELY TO STAY FINANCIALLY FIT

The young teacher and his wife are ready to take the next step with their money and work towards essential goals, including securing their child's future and planning for retirement, says Bengaluru-based Financial Planner **By Lovaii Navlakhi**

Shivprakash Yadav, 26, teaches in a central government school in Daman and his wife Riya is a homemaker. The couple is about to start saving and investing for their future goals.

Yadav has an annual take-home income of ₹6.24 lakh while the family's annual expenses, including insurance premiums, amount to ₹3.44 lakh (see table *Assets, Liabilities and Net-worth*). Yadav wants to buy a house in three years, save for his child's education and have enough funds to lead a comfortable life post-retirement. Here is how he can achieve immediate and long-term financial goals.

Immediate Goals

Contingency fund: Yadav must build a contingency fund that will cover the family's expenses for three months. His savings in the bank and the cash earmarked for this purpose add up to ₹26,300. The gap has to be filled through regular, systematic investments in ultra-short-term liquid mutual funds. This fund should not be used for any other purpose as the key to financial success is discipline.

Premiums paid towards health insurance and critical illness cover can be claimed as deductions under Section 80D of the Income Tax Act

Life insurance: Yadav holds an LIC savings-cum-insurance product, but this alone will not fulfil the family's overall insurance requirement. So, he should buy a term plan of ₹1.5 crore that will meet all future expenses (if required) and also protect other critical goals such as their child's education. Getting a term plan is the most cost-effective way of acquiring the required coverage. Yadav will have to pay about ₹15,000 a year, and it can be claimed as a tax deduction under section 80C of the Income Tax Act.

Assets, Liabilities & Networth

Assets	
Particulars	**Amount (₹)**
PPF	46,500
Bank & Cash Balances	23,000
Total Assets	**69,500**
Liabilities	
Nil	
Networth	
Particulars	**Amount (₹)**
Assets	69,500
Liabilities	0
Networth	**69,500**

Expert Musings

IMPACT

Financial Planning for Women

Shifali Satsangee
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The world of investments has often been deemed as the gentleman's domain. Women have always been known to be prudent financial planners, especially when it comes to managing household money. But when it comes to investing, the natural tendency is to opt for conservative investment products since they are more risk aware than risk averse. As a result, equity investments hardly make the cut. Also, the asset allocation tends to be skewed in favour of fixed deposit, gold or cash, which is detrimental to long term wealth creation prospects.

However, given that women largely tend to save for either long term financial goals such as her child's education and marriage, or for unforeseen financial contingencies, mutual funds emerge as a viable option when it comes to taking exposure to equity and debt markets. Not only will it ensure asset allocation, but also bring in the much needed growth element to one's portfolio. Along with this, one should also consider having optimum life and health cover, which is equally important.

As planning of all these is no easy task, it is always recommended that one should consult a financial advisor before making such long term financial plans. But for the starters, there are mutual fund products which offer in-built asset allocation facilities. What this product effectively does is to spread investments made across debt and equity, based on the relative attractiveness of the respective asset classes.

Gold is another asset class which women distinctly tend to invest in. But here the investment mostly tends to be in the form of jewellery, which means that there is a security aspect (storage) involved. However, there is another option in the form of Gold ETF that one can explore. Here, by the SIP route, one can collect units of gold on a monthly basis, thereby aiding one to accumulate units of gold which can be redeemed whenever necessary, without any hassle.

In effect, women can realize their true financial potential by starting to invest early, focusing on goal based investments via SIPs wherein funds are ear marked for each goal, creating contingency funds, routing savings into tax efficient schemes and financial products that give healthy inflation adjusted returns, and by de-risking the portfolio by diversifying across asset classes, so that a solid corpus is created for the family year on year.

So, through these small but steady steps women can meet all of their long term goals effectively. Good Luck and Happy Investing!

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

Financial Goals

Goal	Year	How much needed in present terms
Contingency Fund (Recommended)	By 2019	₹86,000
Contribution towards purchasing family home (along with brother and father)	2021	₹28 lakh (35% of the ₹80 lakh property)
Child's Higher Education	2035	₹10 lakh
Child's Marriage	2038	₹10 lakh
Retirement	2050*	₹25,000/month (Corpus: ₹4.8 crore)

*Desired retirement year was 2040 at 49; it is now postponed to 60 years

Current Cash Flow & Recommended Allocations

Particulars	Current (Monthly, in ₹)	Recommended (Monthly in ₹)
Net take-home salary	52,000	52,000
Total Inflows (A)	52,000	52,000
Household Expenses	10,000	10,000
Lifestyle Expenses	7,000	7,000
Contribution to Parents	10,000	10,000
Insurance premium	730	3,980
Health: Around ₹11,700 per annum (for the couple)	-	950
Critical Illness: Around ₹10,000 per annum (for the couple)	-	830
Personal Accident Cover: Around ₹2,700 (for Yadav)	-	220
Life Cover: Approx ₹15,000 (in addition to ongoing policy)	-	1,250
Soft Loan EMI (₹8,500 completed in October 2017)	-	-
Total Outflows (B)	27,730	30,980
Total Savings (A-B)	24,270	21,020
Contingency	-	5,700
Property Down Payment	-	10,800
Child's Higher Education	-	2,800
Residual Available	24,270	1,720

Health and disability insurance: As Yadav is a central government employee, he and his spouse are currently covered under the Central Government Health Scheme. Even then, each should get a personal health cover of ₹3 lakh. It can be deferred for some time, though, till they have complete clarity regarding the quantum of coverage available during employment and also after retirement.

Yadav should also buy a critical illness cover of ₹15 lakh for the couple and an accident disability cover of ₹25 lakh for himself, which will cost around ₹14,000 per year. However, premiums paid towards health insurance and critical illness cover can be claimed as deductions under section 80D of the Income Tax Act. At the time of buying an insurance policy, disclose all information to avoid future complications. Here we are assuming that the income surplus generated during the next few months will be utilised to purchase all recommended insurances.

Long-term Targets

Now that the immediate goals have been taken care of, Yadav must look at the long-term targets and start investing accordingly (see tables *Financial Goals* and *Current Cash Flow & Recommended Allocations*).

Retirement: Retirement planning in India is not an easy job, given the falling interest rates and slowing economic growth. However, this goal should never be compromised. Yadav wants to retire at 49, but there is a need to postpone it till 60 so that he can tick off all major goals and build the necessary retirement corpus. The couple will require ₹4.8 crore after retirement assuming that the husband will live until 85 while the wife's life expectancy is 90 years and household expenses will be ₹25,000 per month in present terms plus 6 per cent inflation.

To build this corpus, Yadav currently invests ₹60,000 a year in the Public Provident Fund (PPF). This amount plus the pension income from the government will fund a portion of his requirement, but he should also invest part of the income surplus till he retires to fill the gap. We recommend an additional saving of ₹10,600 a month starting from January 2022 after Yadav saves enough money to fund a property purchase (more on that later) in 2021. In fact, with focus on building the contingency fund and ensuring portfolio liquidity for property buying, he will have to reduce his annual contribution to PPF for the next four-five years. Post that, the investment value must increase by 5 per cent annually.

Child's education and marriage: As of now, the couple has no children, but they are ready to start saving for this future requirement. But based on their current cash flow, they may have to reduce the corpus from ₹10 lakh to ₹5 lakh in each case.

With focus on building a contingency fund and ensuring portfolio liquidity for property buying, Yadav will have to reduce his annual contribution to PPF for the next four-five years

ILLUSTRATIONS BY RAJ VERMA

Plan Assumptions

Calculations and projections provided in the financial plan are based on the following assumptions:

- Inflation considered at the rate of 6 per cent per annum (both pre- and post-retirement)
- Education goals have been inflated at 10 per cent per annum
- Return of 7 per cent per annum considered post-retirement
- Real estate growth rate is considered at 8 per cent
- Life expectancy is assumed to be 85 years for Yadav and 90 years for his wife Riya
- The retirement corpus has been calculated to provide for all expenses from 2050 onwards
- It is assumed that Yadav will receive pension income after retirement at 50 per cent of the last-drawn basic pay (assumed to be 50 per cent of the net take-home income)
- Pension income is assumed to grow at an average of 1 per cent per annum
- All values taken as income, expenses and assets are current values
- It is assumed that home loan will be available at 9 per cent in 2021 and taken for 15 years. EMI works out to be around Rs 5,520
- It is also assumed that the couple will have a moderate risk-taking ability for which we suggest that 50 per cent of the portfolio should be invested in growth assets and 50 per cent in stable assets
- Savings refers to the funds accumulated through investments and includes monthly net savings, as sumed to be invested with post-tax returns of 9.5 per cent per annum
- Income growth taken at 5 per cent per annum till retirement
- Returns assumed for PPF – 7 per cent

To meet these goals, Yadav should invest in mutual funds via two monthly SIPs – one of ₹2,800 (from 2018 to 2035) for the child's education and another of ₹2,000 (from 2019 to 2038) for his/her marriage. These investments should be increased annually by 10 per cent and 5 per cent, respectively. Investments in diversified equity mutual funds can be considered for the purpose.

Property purchase: Yadav, along with his father and brother, is looking to invest in a property. He wants to contribute 35 per cent of the property value – ₹28 lakh out of ₹80 lakh. But due to cash flow restraints and growing investment requirements to fulfil other goals, he can only contribute 20 per cent as down payment and the rest will be obtained through a loan. For this purpose, Yadav must start a monthly SIP of ₹10,800 this year and continue till 2021, increasing the sum by 15 per cent every year. The money should be put in a combination of hybrid and debt mutual fund schemes. In case a larger amount is needed, it will affect his future goals such as funding the child's education and marriage. MT

As told to Teena Jain Kaushal

If you need help on how to manage your money and want expert advice, write to moneytoday@intoday.com.

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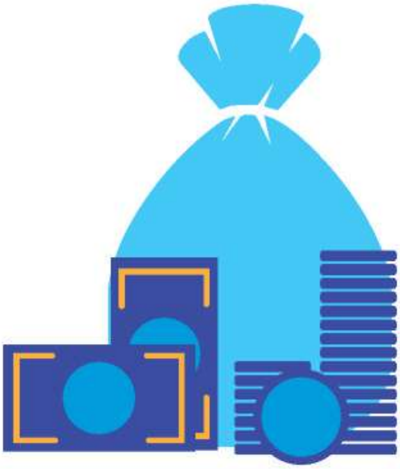
ILLUSTRATIONS BY RAJ VERMA



The Winners

DEBT FUNDS HAVE BEEN POOR PEFFORMERS AS RISING YIELDS HIT BOND PRICES

Fund Name	Assets (In ₹ Cr)	% Asset in Top 10 Holdings	No. of Hold-ings	Annual Report Net Expense Ratio (FY2016-17)	Returns (In %)			
					6 Months	1 Year	3 Years	5 Years
Large-Cap								
Mirae Asset India Opp Reg Gr	6,612	45.29	59	2.23	7.57	25.66	12.82	20.88
Kotak Select Focus Reg Gr	17,843	42.94	61	2.05	5.32	21.56	11.64	20.61
Reliance Top 200 Gr	8,109	41.19	60	2.47	10.10	26.13	9.75	18.41
Reliance Vision Gr	3,721	60.36	40	2.28	7.92	24.96	8.16	18.21
SBI Blue Chip Reg Gr	18,151	35.60	67	2.30	5.20	19.86	10.26	18.01
Flexicap								
Principal Emerging Bluechip Gr	1,669	17.42	93	2.72	11.21	30.43	17.18	27.14
L&T India Value Gr	7,404	28.48	81	2.52	9.70	26.24	17.19	25.93
Aditya BSL MNC Gr	3,397	63.25	48	2.35	10.63	27.81	9.73	24.66
Tata Equity P/E Reg Gr	2,713	38.12	57	2.79	9.56	27.32	15.51	23.36
Invesco India Contra Gr	1,018	44.12	45	2.79	17.48	32.77	13.76	22.94
Small/Mid-Cap								
SBI Small & Midcap Reg Gr	908	46.86	35	2.62	32.74	56.23	26.53	36.97
Reliance Small Cap Gr	6,542	20.54	102	2.54	23.62	47.83	23.16	36.13
DSP BlackRock Micro Cap Reg Gr	6,469	28.35	87	2.51	14.63	24.85	20.63	33.15
Mirae Asset Emerging Bluechip Gr	5,302	32.09	68	2.28	8.57	26.90	19.57	30.37
Aditya BSL Pure Value Gr	3,079	33.07	63	2.83	17.14	37.31	19.13	29.96
ELSS (Tax Savings)								
Reliance Tax Saver Gr	10,811	45.59	69	2.45	8.99	25.31	8.92	23.12
Axis Long Term Equity Gr	16,517	53.51	48	2.55	8.01	25.65	9.94	23.01
Aditya BSL Tax Relief 96 Gr	4,949	52.49	51	2.45	12.41	30.47	12.41	22.12
IDFC Tax Advantage (ELSS) Reg Gr	1,012	24.96	84	2.86	14.35	37.74	14.11	21.66
Aditya BSL Tax Gr	695	51.82	51	2.97	12.29	30.12	11.86	21.33
Balanced Funds								
HDFC Balanced Gr	20,081	33.66	138	2.09	6.02	20.06	11.36	19.21
HDFC Childrens Gift	2,152	32.83	99	2.33	7.45	21.72	11.13	18.61
L&T India Prudence Gr	9,578	27.62	127	2.52	5.13	18.09	10.62	18.52
ICICI Pru Balanced Gr	27,840	27.13	141	2.41	7.81	17.41	11.41	18.38
Principal Balanced Gr	1,018	21.22	104	3.16	10.81	27.99	13.90	17.56

Fund Name	Assets (In ₹ Cr)	Average Eff Maturity (In Yrs)	Average Credit Quality	Annual Report Net Expense Ratio (FY2016-17)	Returns (In %)			
					6 Months	1 Year	2 Years	3 Years
Liquid								
Indiabulls Liquid Gr	7,164	0.15*	AAA	0.23	3.28	6.70	7.21	7.59
Franklin India TMA Super Instl Gr	5,617	0.09	AAA	0.19	3.28	6.71	7.13	7.55
Essel Liquid Reg Gr	861	0.08	AAA	0.15	3.29	6.75	7.20	7.55
JM High Liquidity Gr	3,936	0.08	AAA	0.31	3.26	6.72	7.16	7.54
Principal Cash Mgmt Gr	1,305	0.10	AAA	0.27	3.31	6.75	7.15	7.54
Short-Term Bond								
HDFC Banking & PSU Debt Reg Gr	4,074	4.00	AA	0.66	1.96	6.13	8.42	8.81
UTI Banking & PSU Debt Reg Gr	1,197	1.87	AAA	0.28	2.32	6.29	8.72	8.73
ICICI Pru Banking & PSU Debt Gr	6,819	2.94	AAA	0.78	0.83	5.90	9.07	8.63
HDFC Medium Term Opp Gr	13,251	2.66	AAA	0.33	1.67	6.00	8.44	8.36
Aditya BSL Short Term Reg Gr	19,226	2.00	AAA	0.32	1.98	6.31	8.17	8.29
Dynamic Bond								
ICICI Pru Long Term Plan Gr	3,490	4.54	AAA	1.27	-0.44	6.23	11.31	8.31
Axis Regular Savings Gr	1,224	2.50	AA	1.23	2.39	7.28	9.83	8.07
UTI Dynamic Bond Gr	1,539	5.37	AAA	1.74	-1.15	4.37	9.33	7.79
ICICI Pru Dynamic Bond Gr	1,313	6.25	AAA	1.27	-1.13	4.56	8.74	7.71
SBI Magnum Income Reg Gr	2,166	4.89*	AA	2.01	0.26	5.55	9.20	7.49
Intermediate Bond								
Aditya BSL Trs Optimizer Reg Gr	7,644	2.50	AAA	0.66	1.39	6.24	8.81	8.37
Kotak Flexi Debt Reg Gr	1,085	4.83	AA	1.26	0.87	6.18	9.34	8.35
Sundaram Flexible Flex Inc Gr	536	5.04	AAA	0.85	0.25	4.98	8.39	7.82
ICICI Pru Income Opps Gr	4,438	4.56	AAA	1.00	0.33	5.10	8.27	7.68
DSP BlackRock Bond Reg Gr	833	3.62*	AA	2.09	1.64	6.34	9.02	7.24
Corporate Credit								
Baroda Pioneer Credit Opp A Reg Gr	920	2.96	AA	1.91	2.41	7.68	9.66	9.60
Franklin India Dynamic Accrual Gr	3,057	2.69	A	1.77	2.83	7.96	9.38	9.36
Aditya BSL Medium Term Reg Gr	11,553	2.70	A	1.70	1.94	7.47	9.01	8.92
DHFL Pramerica Credit Opps Rg Pl Gr	963	2.74	AA	1.83	2.32	6.92	8.47	8.89
L&T Short Term Income Gr	1,187	1.12	AA	1.49	2.80	7.41	9.00	8.87

Fund Category	Returns (In %)				
	1-Yr	2-Yr	3-Yr	4-Yr	5-Yr
Large-Cap	22.06	23.43	8.53	19.02	15.33
Flexicap	24.00	26.31	11.49	23.98	19.01
Small/Mid-Cap	28.35	30.06	15.48	30.52	24.87
ELSS (Tax Savings)	24.62	25.48	10.96	22.82	19.11
Moderate Allocation	16.42	18.12	8.69	16.09	13.66
Liquid	5.17	5.50	5.80	6.13	6.34
Ultrashort Bond	5.20	6.25	6.38	6.67	6.85
Short-Term Bond	4.75	6.49	6.47	7.30	7.11

* As of Dec'17 end

Returns as on 15th February'18

Equity and Bond funds are ranked on the basis of 5-year performance

Fixed income funds are ranked on the basis of 3-year performance

AUM filter of minimum ₹500Cr applied in all the categories

All portfolio-related data is as of January'18 end, unless specified

Returns of time-period more than 1 year are annualised

Source: Morningstar

DATA > LOANS

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The most competitive loan and deposit rates in the market

FIXED DEPOSIT
For amount less than ₹1 Crore (Regular)

Bank	1 year
RBL Bank	7.10%
Karnataka Bank	7.10%
Lakshmi Vilas Bank	7.10%
IDFC Bank	7.00%
Bandhan Bank	7.00%

Bank	2 years
IDFC Bank	7.25%
RBL Bank	7.20%
Lakshmi Vilas Bank	7.15%
Karnataka Bank	7.10%
Axis Bank	6.90%

Bank	5 years
IDFC Bank	7.20%
Lakshmi Vilas Bank	7.15%
RBL Bank	7.10%
Axis Bank	6.90%
Yes Bank	6.75%

HOME LOAN:
Floating Rate; Interest Tenure - Up to 20 years For Salaried Person

Bank	₹50 lakh	₹80 lakh
SBI	8.30%-8.35%	8.40%-8.45%
HDFC Ltd.	8.35%-8.40%	8.4%-8.45%
LIC Housing Finance	8.35%-8.40%	8.50%
ICICI Bank	8.65%-8.70%	8.70%-8.75%
Axis Bank	8.65%	8.70%

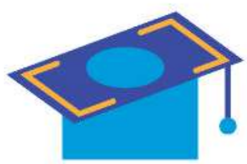
SMALL SAVINGS SCHEMES

Scheme	Interest rate (%)*
1 year Time Deposit	6.6
2 year Time Deposit	6.7
3 year Time Deposit	6.9
5 year Time Deposit	7.4
5 year Recurring Deposit	6.9
5 year Senior Citizens Savings Scheme	8.3
5 year Monthly Income Account Scheme	7.3
5 year National Savings Certificate	7.6
Public Provident Fund Scheme	7.6
Kisan Vikas Patra	7.3
Sukanya Samriddhi Account Scheme	8.1

Source: Deal4Loans, for small savings schemes, CMIE;
*For quarter ending March 2017

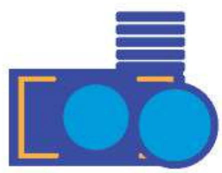
CAR LOAN:
For New Cars, Tenure- 7 years

Bank	Interest Rates
Axis Bank	8.35%
SBI	8.70%-9.20%
PNB	8.75%-9.20%
HDFC	9%-10.25%
ICICI Bank	10%-12.75%



EDUCATION LOAN:
Loan Amount - Up to ₹7.5 lakh
Tenure - 15 years

Bank	Interest Rates
PNB	8.25%-10.15%
SBI	8.30%-9.95%
Canara Bank	8.30%-10.30%
IDBI Bank	8.40%-9.90%
Central Bank of India	8.80%-10.30%
Axis Bank	14.50%-15%



PERSONAL LOAN:
Tenure - Up to 5 years
Loan Amount - Up to ₹15,00,000

Bank	Interest Rates
Kotak Mahindra Bank	10.99%-17.99%
Bajaj Finserv	10.99%-16%
ICICI Bank	10.99%-18.49%
HDFC Bank	10.99%-20.75%
SBI	11.35%-15.1%
Axis Bank	15.50%-24%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Long Term Wealth Creation

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This fund is suitable for investors who are seeking*:

- Long term capital appreciation
- An ELSS fund offering tax benefits under Section 80C of the Income Tax Act

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

Investors understand that their principal will be at Moderately High risk

Scheme specific risk factors: All investments in Franklin India Taxshield are subject to a lock-in-period of 3 years from the date of respective allotment and the unit holders cannot redeem, transfer, assign or pledge the units during this period. The Trustee, AMC, their directors or their employees shall not be liable for any of the tax consequences that may arise, in the event that the Equity Linked Savings Scheme is wound up before the completion of the lock-in period. Investors are requested to review the prospectus carefully and obtain expert professional advice with regard to specific legal, tax and financial implications of the investment/participation in the scheme

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^as on December 31, 2017

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.